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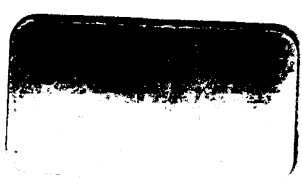

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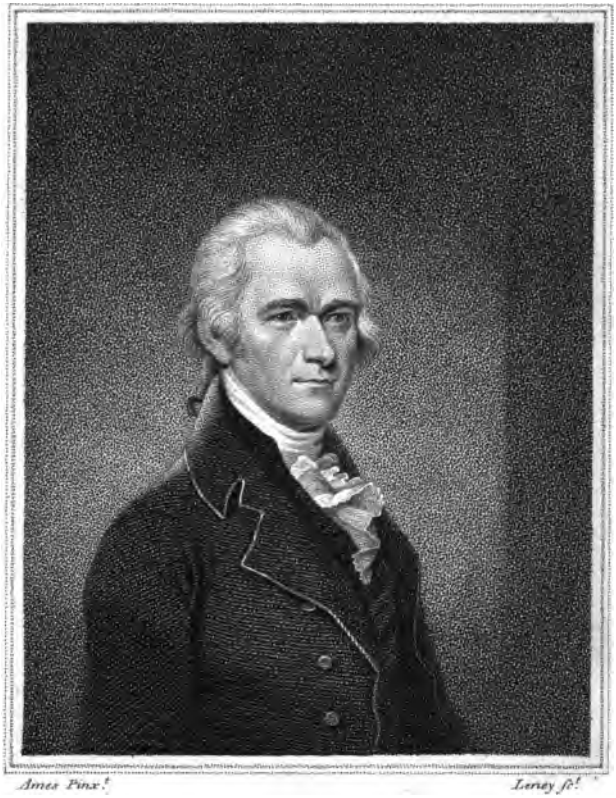

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ALEXANDER HAMILTON

Printed by A.G.Reynolds

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THE

WORKS

OF

ALEXANDER HAMILTON:

COMPRISING HIS MOST IMPORTANT

OFFICIAL REPORTS;

AN IMPROVED EDITION OF

THE FEDERALIST,

ON THE NEW CONSTITUTION, WRITTEN IN 1788;

AND

PACIFICUS,

ON THE PROCLAMATION OF NEUTRALITY,

WRITTEN IN 1793.

IN THREE VOLUMES.

VOL. I.

NEW-YORK:

PUBLISHED BY WILLIAMS AND WHITING,

AT THEIR THEOLOGICAL AND CLASSICAL BOOK-STORE,

No. 118, *Pearl-street.*

Printed by J. Seymour.

1810.

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"The works of Alexander Hamilton: comprising his most important official reports; an improved edition of "the Federalist, on the New Constitution, written in 1788; and Pacificus, on the Proclamation of Neutrality, "written in 1793. In three volumes. Vol. I."

In conformity to the Act of the Congress of the United States, entitled "An Act for the encouragement of learning, by securing the copies of maps, charts, and books, to the authors and proprietors of such copies, during the times therein mentioned." And also, to an Act, entitled "An Act, supplementary to an Act, entitled an Act for the encouragement of learning, by securing the copies of maps, charts, and books, to the authors and proprietors of such copies, during the times therein mentioned, and extending the benefits thereof to the arts of designing, engraving, and etching historical and other prints."

CHARLES CLINTON,
Clerk of the District of New-York.

PREFACE.

OF ALEXANDER HAMILTON it may be said, nothing came from his pen or his lips which should not be treasured up with care. But as the publishers had limited the present work to three volumes, they were solicitous to make the selection such as should prove most useful. In pursuit of this object they have been governed by the opinions of gentlemen well qualified to judge; and they indulge the belief that the public will fully sanction that judgment.

The first volume comprises the most important OFFICIAL REPORTS of that GREAT MAN, while Secretary of the Treasury of the United States.

In these documents are constellated more than the learning and the wisdom of other days. The native, the original conceptions of his creative genius, give life and light to every subject. Every page bears its own peculiar testimony to the vastness of his mind—the soundness of his judgment—the clearness of his views—and the integrity of his heart. The humblest peasant, who loves his country and participates in her weal and wo, as well as the statesman and politician whose feelings and interests are more particularly identified with the subject, will read these Reports with mingled wonder and delight.

The second and third volumes contain THE FEDERALIST, which was written shortly after the promulgation of the New Constitution, and addressed to the people of the state of New-York, with the view of explaining its principles, and enforcing the propriety and necessity of its adoption. The papers first appeared in the Gazettes of this city, in the order in which they are now published, and have since passed through two editions.

It had long been known that the FEDERALIST was not exclusively from the pen of Mr. Hamilton. Mr. Jay and Mr. Madison shared in the labour and the honour of these profound disquisitions. But it was not ascertained with any degree of certainty, which, or how many numbers were written by either of these gentlemen, till after the lamented death of Hamilton, when a private memorandum in his own hand-writing was found, containing the information which enables the publishers to designate with precision the authors of the several essays: Their names are accordingly prefixed to their respective productions in the body of the work. From these it appears, that five of the numbers were written by Mr. Jay, fourteen by Mr. Madison, three by Mr. Madison and Mr. Hamilton jointly, and sixty-four by Mr Hamilton alone.

"As all parties seem at length united in professions of regard for the Constitution; if they are sincere, this consideration cannot fail to enhance the value of a work which, by employing in its favour all the energy of argument, and all the per-

suasion of eloquence, was eminently useful in promoting its general ratification."

"Whoever is desirous of being well informed of the principles and provisions of our Government, and the manner in which they have been supported and vindicated; of the objections that were made to the Constitution by its first opposers; and how they were answered, will find in the Federalist ample and satisfactory instruction. The study of this work must form an essential part of the American statesman*. Politicians, indeed, of every country, will here discover materials in the science of government well worthy their attention—a science, of all others the most interesting to mankind, as it most deeply concerns human happiness. The Federalist contains principles that may be remembered and studied with advantage by all classes of men, in other countries than our own, and in other ages than that in which we live. The people of America alone have afforded the example of a republic purely representative. In this work it will appear, that this form of government has been well understood, and

* To the honour of our country, the respectable College in Providence, Rhode-Island, has introduced the FEDERALIST into the course of academic studies, as containing the best commentary on the principles of free government that can be found. It were well had other seminaries followed this example. The best results might be expected, if those who are to direct the future destinies of this vast empire, were early made familiar with political truths, so clear, practical, and demonstrative.

thoroughly developed; and if, unfortunately, the experiment which we have made should hereafter fail, vain will be the attempt to renew similar systems; for no reasonable hope can be entertained, that more correct notions on this subject will prevail than are here exhibited."

"PACIFICUS is from the pen of the same enlightened statesman, who was the chief author of the Federalist. These essays were written in defence of the first leading step which our government took to preserve the neutrality it continued to maintain during the late transatlantic conflict, which seems to have annihilated the minor powers of Europe, and has shaken the civilized world."

"Now that the storm has passed over, and the angry and tumultuous passions which at that time agitated our country, have in some measure subsided, these papers will be read with pleasure and profit, by the intelligent man of every party. Candour will probably wonder, that any one should have doubted of the fitness of those measures which this writer has so ably advocated, and which experience has so forcibly proved to have been the best adapted to the interests of the country. In what condition should we now have been, had our government given way to the enthusiasm which at that time swelled the bosoms of our countrymen in favour of the French revolution? If it had been suffered to pursue its own course, we should have been hurried into a war which would have added us to the victims of

folly and perfidy, which have been produced as well by Gallic alliance, as by Gallic conquest. Every considerate man will therefore admire the wisdom which foresaw so dreadful a consequence, and the firmness which guarded us from it, by arresting at once the mad career of popular delusion."

While Publius and Pacificus serve to keep in just remembrance two very important events in the history of our country, the "official reports" of the first Secretary of the Treasury, will form a sort of *text-book* for his successors through distant ages. Indeed, wherever the principles of free government are rightly understood, and rational liberty is rationally enjoyed, there will the memory and the writings of Hamilton be consecrated in the affections of an enlightened and admiring people. Legislators, Statesmen, and Financiers, will draw wisdom from this fountain; and posterity, long, long after the pigmy race of philosophical dreamers and visionary politicians shall have sunk into oblivion, will rise up and call him blessed.

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REPORT

OF THE

SECRETARY OF THE TREASURY

ON

PUBLIC CREDIT.

Treasury Department, Jan. 9, 1790.

THE Secretary of the Treasury, in obedience to the resolution of the House of Representatives, of the twenty-first day of September last, has, during the recess of Congress, applied himself to the consideration of a proper plan for the support of the Public Credit, with all the attention which was due to the authority of the House, and to the magnitude of the object.

In the discharge of this duty, he has felt, in no small degree, the anxieties which naturally flow from a just estimate of the difficulty of the task, from a well-founded diffidence of his own qualifications for executing it with success, and from a deep and solemn conviction of the momentous nature of the truth contained in the resolution under which his investigations have been conducted, "That an *adequate* provision for the support of the Public Credit is a matter of high importance to the honour and prosperity of the United States."

With an ardent desire that his well-meant endeavours may be conducive to the real advantage of the nation; and with the utmost deference to the superior judgment of the House, he now respectfully submits the result of his inquiries and reflections, to their indulgent construction.

In the opinion of the Secretary, the wisdom of the House, in giving their explicit sanction to the proposition which has been stated, cannot but be applauded by all, who will seriously consider, and trace through their obvious consequences, these plain and undeniable truths:

That exigencies are to be expected to occur, in the affairs of nations, in which there will be a necessity for borrowing:

That loans in times of public danger, especially from foreign war, are found an indispensable resource, even to the wealthiest of them:

And that in a country, which, like this, is possessed of little active wealth, or in other words, little monied capital, the necessity for that resource must, in such emergencies, be proportionably urgent.

And as on the one hand, the necessity for borrowing in particular emergencies cannot be doubted, so on the other, it is equally evident, that to be able to borrow upon *good terms*, it is essential that the credit of a nation should be well established.

For when the credit of a country is in any degree questionable, it never fails to give an extravagant premium, in one shape or another, upon all the loans it has occasion to make. Nor does the evil end here; the same disadvantage must be sustained upon whatever is to be bought on terms of future payment.

From this constant necessity of *borrowing* and *buying dear*, it is easy to conceive how immensely the

expenses of a nation, in a course of time, will be augmented by an unsound state of the public credit.

To attempt to enumerate the complicated variety of mischiefs in the whole system of the social economy, which proceed from a neglect of the maxims that uphold public credit, and justify the solicitude manifested by the House on this point, would be an improper intrusion on their time and patience.

In so strong a light, nevertheless, do they appear to the Secretary, that on their due observance at the present critical juncture, materially depends, in his judgment, the individual and aggregate prosperity of the citizens of the United States: their relief from the embarrassments they now experience; their character as a people; the cause of good government.

If the maintenance of public credit, then, be truly so important, the next inquiry which suggests itself is, by what means it is to be effected:—The ready answer to which question is, by good faith, by a punctual performance of contracts. States, like individuals, who observe their engagements, are respected and trusted: while the reverse is the fate of those, who pursue an opposite conduct.

Every breach of the public engagements, whether from choice or necessity, is in different degrees hurtful to public credit. When such a necessity does truly exist, the evils of it are only to be palliated by a scrupulous attention on the part of the government, to carry the violation no further than the necessity absolutely requires, and to manifest, if the nature of the case admit of it, a sincere disposition to make reparation, whenever circumstances shall permit. But with every possible mitigation, credit must suffer, and numerous mischiefs ensue. It is therefore highly important, when an appearance of

necessity seems to press upon the public councils, that they should examine well its reality, and be perfectly assured, that there is no method of escaping from it, before they yield to its suggestions. For though it cannot safely be affirmed, that occasions have never existed, or may not exist, in which violations of the public faith, in this respect, are inevitable; yet there is great reason to believe, that they exist far less frequently than precedents indicate; and are oftenest either pretended through levity, or want of firmness, or supposed through want of knowledge. Expedients might often have been devised to effect, consistently with good faith, what has been done in contravention of it. Those who are most commonly creditors of a nation, are, generally speaking, enlightened men; and there are signal examples to warrant a conclusion, that when a candid and fair appeal is made to them, they will understand their true interest too well to refuse their concurrence in such modifications of their claims, as any real necessity may demand.

While the observance of that good faith, which is the basis of public credit, is recommended by the strongest inducements of political expediency, it is enforced by considerations of still greater authority. There are arguments for it, which rest on the immutable principles of moral obligation: And in proportion as the mind is disposed to contemplate, in the order of Providence, an intimate connexion between public virtue and public happiness, will be its repugnancy to a violation of those principles.

This reflection derives additional strength from the nature of the debt of the United States. It was the price of liberty. The faith of America has been repeatedly pledged for it, and with solemnities, that

give peculiar force to the obligation. There is indeed reason to regret that it has not hitherto been kept; that the necessities of the war, conspiring with inexperience in the subjects of finance, produced direct infractions; and that the subsequent period has been a continued scene of negative violation, or non-compliance. But a diminution of this regret arises from the reflection, that the last seven years have exhibited an earnest and uniform effort, on the part of the government of the union, to retrieve the national credit, by doing justice to the creditors of the nation; and that the embarrassments of a defective constitution, which defeated this laudable effort, have ceased.

From this evidence of a favourable disposition, given by the former government, the institution of a new one, clothed with powers competent to calling forth the resources of the community, has excited correspondent expectations. A general belief accordingly prevails, that the credit of the United States will quickly be established on the firm foundation of an effectual provision for the existing debt. The influence, which this has had at home, is witnessed by the rapid increase that has taken place in the market-value of the public securities. From January to November, they rose thirty-three and a third per cent. and from that period to this time, they have risen fifty per cent. more. And the intelligence from abroad announces effects proportionably favourable to our national credit and consequence.

It cannot but merit particular attention, that among ourselves the most enlightened friends of good government are those, whose expectations are the highest.

To justify and preserve their confidence; to promote the increasing respectability of the American name; to answer the calls of justice; to restore landed property to its due value; to furnish new resources both to agriculture and commerce; to cement more closely the union of the states; to add to their security against foreign attack; to establish public order on the basis of an upright and liberal policy.—These are the great and invaluable ends to be secured, by a proper and adequate provision, at the present period, for the support of public credit.

To this provision we are invited, not only by the general considerations, which have been noticed, but by others of a more particular nature. It will procure to every class of the community some important advantages, and remove some no less important disadvantages.

The advantage to the public creditors from the increased value of that part of their property which constitutes the public debt, needs no explanation.

But there is a consequence of this, less obvious, though not less true, in which every other citizen is interested. It is a well-known fact, that in countries in which the national debt is properly funded, and an object of established confidence, it answers most of the purposes of money. Transfers of stock or public debt, are there equivalent to payments in specie; or in other words, stock, in the principal transactions of business, passes current as specie.—The same thing would, in all probability, happen here, under the like circumstances.

The benefits of this are various and obvious.—

First. Trade is extended by it; because there is a larger capital to carry it on, and the merchant can at the same time afford to trade for smaller profits;

as his stock, which when unemployed, brings him in an interest from the government, serves him also as money, when he has a call for it in his commercial operations.

Secondly. Agriculture and manufactures are also promoted by it; for the like reason, that more capital can be commanded to be employed in both; and because the merchant, whose enterprise in foreign trade gives to them activity and extension, has greater means for enterprise.

Thirdly. The interest of money will be lowered by it; for this is always in a ratio to the quantity of money, and to the quickness of circulation. This circumstance will enable both the public and individuals to borrow on easier and cheaper terms.

And from the combination of these effects, additional aids will be furnished to labour, to industry, and to arts of every kind.

But these good effects of a public debt are only to be looked for, when, by being well funded, it has acquired an *adequate* and *stable* value. Till then, it has rather a contrary tendency. The fluctuation and insecurity incident to it in an unfunded state, render it a mere commodity, and a precarious one. As such, being only an object of occasional and particular speculation, all the money applied to it, is so much diverted from the more useful channels of circulation, for which the thing itself affords no substitute: So that, in fact, one serious inconvenience of an unfunded debt is, that it contributes to the scarcity of money.

This distinction, which has been little, if at all, attended to, is of the greatest moment. It involves a question immediately interesting to every part of the community; which is no other than this—Whe-

ther the public debt, by a provision for it on true principles, shall be rendered a *substitute* for money; or whether, by being left as it is, or by being provided for in such a manner as will wound those principles, and destroy confidence, it shall be suffered to continue, as it is, a pernicious drain of our cash from the channels of productive industry?

The effect which the funding of the public debt, on right principles, would have upon landed property, is one of the circumstances attending such an arrangement, which has been least adverted to, though it deserves the most particular attention.

The present depreciated state of that species of property is a serious calamity. The value of cultivated lands, in most of the states, has fallen since the revolution from 25 to 50 per cent. In those farthest south, the decrease is still more considerable. Indeed, if the representations, continually received from that quarter, may be credited, lands there will command no price which may not be deemed an almost total sacrifice.

This decrease in the value of lands, ought, in a great measure, to be attributed to the scarcity of money.—Consequently, whatever produces an augmentation of the monied capital of the country, must have a proportional effect in raising that value. The beneficial tendency of a funded debt, in this respect, has been manifested by the most decisive experience in Great-Britain.

The proprietors of lands would not only feel the benefit of this increase in the value of their property, and of a more prompt and better sale, when they had occasion to sell; but the necessity of selling would be itself greatly diminished. As the same cause would contribute to the facility of loans, there

is reason to believe that such of them as are indebted would be able, through that resource, to satisfy their more urgent creditors.

It ought not however to be expected, that the advantages, described as likely to result from funding the public debt, would be instantaneous. It might require some time to bring the value of stock to its natural level, and to attach to it that fixed confidence, which is necessary to its quality as money. Yet the late rapid rise of the public securities encourages an expectation, that the progress of stock to the desirable point, will be much more expeditious than could have been foreseen. And as in the mean time it will be increasing in value, there is room to conclude, that it will, from the outset, answer many of the purposes in contemplation. Particularly it seems to be probable, that from creditors, who are not themselves necessitous, it will early meet with a ready reception in payment of debts, at its current price.

Having now taken a concise view of the inducements to a proper provision for the public debt, the next inquiry which presents itself is, what ought to be the nature of such a provision? This requires some preliminary discussions.

It is agreed on all hands, that that part of the debt which has been contracted abroad, and is denominated the foreign debt, ought to be provided for, according to the precise terms of the contracts relating to it. The discussions which can arise, therefore, will have reference essentially to the domestic part of it, or to that which has been contracted at home. It is to be regretted, that there is not the same unanimity of sentiment on this part, as on the other.

The Secretary has too much deference for the opinions of every part of the community, not to have observed one, which has, more than once, made its appearance in the public prints, and which is occasionally to be met with in conversation. It involves this question, whether a discrimination ought not to be made between original holders of the public securities, and present possessors, by purchase? Those who advocate a discrimination, are for making a full provision for the securities of the former, at their nominal value; but contend, that the latter ought to receive no more than the cost to them, and the interest: And the idea is sometimes suggested of making good the difference to the primitive possessor.

In favour of this scheme, it is alleged, that it would be unreasonable to pay twenty shillings in the pound, to one who had not given more for it than three or four. And it is added, that it would be hard to aggravate the misfortune of the first owner, who, probably through necessity, parted with his property at so great a loss, by obliging him to contribute to the profit of the person who had speculated on his distresses.

The Secretary, after the most mature reflection on the force of this argument, is induced to reject the doctrine it contains, as equally unjust and impolitic; as highly injurious, even to the original holders of public securities;—as ruinous to public credit.

It is inconsistent with justice, because, in the first place, it is a breach of contract; a violation of the rights of a fair purchaser.

The nature of the contract in its origin, is, that the public will pay the sum expressed in the security, to the first holder, or his *assignee*. The intent in mak-

ing the security assignable, is, that the proprietor may be able to make use of his property, by selling it for as much as it *may be worth in the market*, and that the buyer may be *safe* in the purchase.

Every buyer, therefore, stands exactly in the place of the seller—has the same right with him to the identical sum expressed in the security; and having acquired that right by fair purchase, and in conformity to the original *agreement* and *intention* of the government, his claim cannot be disputed without manifest injustice.

That he is to be considered as a fair purchaser, results from this: Whatever necessity the seller may have been under, was occasioned by the government, in not making a proper provision for its debts. The buyer had no agency in it, and therefore ought not to suffer. He is not even chargeable with having taken an undue advantage: He paid what the commodity was worth in the market, and took the risks of reimbursement upon himself. He of course gave a fair equivalent, and ought to reap the benefit of his hazard; a hazard which was far from inconsiderable, and which, perhaps, turned on little less than a revolution in government.

That the case of those who parted with their securities from necessity, is a hard one, cannot be denied. But whatever complaint of injury, or claim of redress they may have, respects the government solely. They have not only nothing to object to the persons who relieved their necessities by giving them the current price of their property, but they are even under an implied condition to contribute to the reimbursement of those persons. They knew, that by the terms of the contract with themselves, the public were bound to pay to those to whom they should

convey their title, the sums stipulated to be paid to them; and that, as citizens of the United States, they were to bear their proportion of the contribution for that purpose. This, by the act of assignment, they tacitly engage to do; and if they had an option, they could not, with integrity or good faith, refuse to do it, without the consent of those to whom they sold.

But though many of the original holders sold from necessity, it does not follow, that this was the case with all of them. It may well be supposed, that some of them did it either through want of confidence in an eventual provision, or from the allurements of some profitable speculation. How shall these different classes be discriminated from each other? How shall it be ascertained, in any case, that the money, which the original holder obtained for his security, was not more beneficial to him, than if he had held it to the present time, to avail himself of the provision which shall be made? How shall it be known, whether, if the purchaser had employed his money in some other way, he would not be in a better situation, than by having applied it in the purchase of securities, though he should now receive their full amount? And if neither of these things can be known, how shall it be determined whether a discrimination, independent of the breach of contract, would not do a real injury to purchasers; and if it included a compensation to the primitive proprietors, would not give them an advantage, to which they had no equitable pretension?

It may well be imagined, also, that there are not wanting instances, in which individuals, urged by a present necessity, parted with the securities received by them from the public, and shortly after re-

placed them with others, as an indemnity for their first loss. Shall they be deprived of the indemnity which they have endeavoured to secure by so provident an arrangement?

Questions of this sort, on a close inspection, multiply themselves without end, and demonstrate the injustice of a discrimination, even on the most subtile calculations of equity, abstracted from the obligation of contract.

The difficulties too of regulating the details of a plan for that purpose, which would have even the semblance of equity, would be found immense. It may well be doubted whether they would not be insurmountable, and replete with such absurd, as well as inequitable consequences, as to disgust even the proposers of the measure.

As a specimen of its capricious operation, it will be sufficient to notice the effect it would have upon two persons, who may be supposed two years ago to have purchased, each, securities at three shillings in the pound, and one of them to retain those bought by him; till the discrimination should take place; the other to have parted with those bought by him, within a month past, at nine shillings. The former, who had had most confidence in the government, would in this case, only receive at the rate of three shillings and the interest; while the latter, who had had less confidence, would receive, *for what cost him the same money*, at the rate of nine shillings, and his representative, *standing in his place*, would be entitled to a like rate.

The impolicy of a discrimination results from two considerations; one, that it proceeds upon a principle destructive of that *quality* of the public debt, or

the stock of the nation, which is essential to its capacity for answering the purposes of money—that is, the *security of transfer;* the other, that as well on this account, as because it includes a breach of faith, it renders property in the funds less valuable; consequently induces lenders to demand a higher premium for what they lend, and produces every other inconvenience of a bad state of public credit.

It will be perceived at first sight, that the transferable quality of stock, is essential to its operation as money; and that this depends on the idea of complete security to the transferee, and a firm persuasion, that no distinction can, in any circumstances, be made between him and the original proprietor.

The precedent of an invasion of this fundamental principle, would of course tend to deprive the community of an advantage, with which no temporary saving could bear the least comparison.

And it will as readily be perceived, that the same cause would operate a diminution of the value of stock in the hands of the first, as well as of every other holder. The price which any man, who should incline to purchase, would be willing to give for it, would be in a compound ratio to the immediate profit it afforded, and the chance of the continuance of his profit. If there was supposed to be any hazard of the latter, the risk would be taken into the calculation, and either there would be no purchase at all, or it would be at a proportionably less price.

For this diminution of the value of stock, every person, who should be about to lend to the government, would demand compensation; and would add to the actual difference between the nominal and the market value, an equivalent for the chance of

greater decrease; which, in a precarious state of public credit, is always to be taken into the account.

Every compensation of this sort, it is evident, would be an absolute loss to the government.

In the preceding discussion of the impolicy of a discrimination, the injurious tendency of it to those who continue to be the holders of the securities they received from the government, has been explained. Nothing need be added on this head, except that this is an additional, and interesting light, in which the injustice of the measure may be seen. It would not only divest present proprietors, by purchase, of the rights they had acquired under the sanction of public faith; but it would depreciate the property of the remaining original holders.

It is equally unnecessary to add any thing to what has been already said, to demonstrate the fatal influence, which the principle of discrimination would have on the public credit.

But there is still a point in view in which it will appear, perhaps, even more exceptionable, than in either of the former: It would be repugnant to an express provision of the Constitution of the United States. This provision is, that "all debts contracted, and engagements entered into, before the adoption of that Constitution, shall be as valid against the United States under it, as under the confederation;" which amounts to a constitutional ratification of the contracts respecting the debt, in the state in which they existed under the confederation. And resorting to that standard, there can be no doubt, that the rights of assignees and original holders must be considered as equal.

In exploding thus fully the principle of discrimination, the Secretary is happy in reflecting, that he

is only the advocate of what has been already sanctioned by the formal and express authority of the government of the Union, in these emphatic terms—"The remaining class of creditors, (say Congress, in their circular address to the states, of the 26th of April, 1783,) is composed, partly of such of our fellow-citizens as originally lent to the public the use of their funds, or have since manifested *most confidence* in their country, by receiving transfers from the lenders; and partly of those whose property has been either advanced or assumed for the public service. To *discriminate* the merits of these several descriptions of creditors, would be a task equally unnecessary and invidious. If the voice of humanity plead more loudly in favour of some than of others, the voice of policy, no less than of justice, pleads in favour of all. A WISE NATION will never permit those who relieve the wants of their country, or who *rely most* on its *faith*, its *firmness*, and its *resources*, when either of them is distrusted, to suffer by the event."

The Secretary, concluding that a discrimination between the different classes of creditors of the United States, cannot with propriety be made, proceeds to examine whether a difference ought to be permitted to *remain* between them and another description of public creditors—those of the states individually.

The Secretary, after mature reflection on this point, entertains a full conviction, that an assumption of the debts of the particular states by the union, and a like provision for them, as for those of the union, will be a measure of sound policy and substantial justice.

It would, in the opinion of the Secretary, contri-

bute, in an eminent degree, to an orderly, stable, and satisfactory arrangement of the national finances.

Admitting, as ought to be the case, that a provision must be made in some way or other for the entire debt; it will follow, that no greater revenues will be required, whether that provision be made wholly by the United States, or partly by them, and partly by the states separately.

The principal question then must be, whether such a provision cannot be more conveniently and effectually made, by one general plan issuing from one authority, than by different plans originating in different authorities?

In the first case there can be no competition for resources; in the last, there must be such a competition. The consequences of this, without the greatest caution, on both sides, might be interfering regulations, and thence collision and confusion: Particular branches of industry might also be oppressed by it. The most productive objects of revenue are not numerous. Either these must be wholly engrossed by one side, which might lessen the efficacy of the provisions by the other; or both must have recourse to the same objects in different modes, which might occasion an accumulation upon them, beyond what they could properly bear. If this should not happen, the caution requisite to avoiding it, would prevent the revenue's deriving the full benefit of each object. The danger of interference and of excess would be apt to impose restraints very unfriendly to the complete command of those resources, which are the most convenient; and to compel the having recourse to others, less eligible in themselves, and less agreeable to the community.

The difficulty of an effectual command of the public resources, in case of separate provisions for the debt, may be seen in another and perhaps more striking light. It would naturally happen that different states, from local considerations, would, in some instances, have recourse to different objects; in others, to the same objects, in different degrees, for procuring the funds of which they stood in need. It is easy to conceive how this diversity would affect the aggregate revenue of the country. By the supposition, articles which yielded a full supply in some states, would yield nothing, or an insufficient product in others; and hence the public revenue would not derive the full benefit of those articles, from state regulations: neither could the deficiencies be made good by those of the union. It is a provision of the national constitution, that "all duties, imposts, and excises, shall be uniform throughout the United States." And as the general government would be under a necessity, from motives of policy, of paying regard to the duty which may have been previously imposed upon any article, though but in a single state; it would be constrained, either to refrain wholly from any further imposition upon such article, where it had been already rated as high as was proper; or to confine itself to the difference between the existing rate, and what the article would reasonably bear. Thus the preoccupancy of an article by a single state, would tend to arrest or abridge the impositions of the union on that article. And as it is supposeable, that a great variety of articles might be placed in this situation, by dissimilar arrangements of the particular states, it is evident, that the aggregate revenue of the

country would be likely to be very materially contracted by the plan of separate provisions.

If all the public creditors receive their dues from one source, distributed with an equal hand, their interest will be the same. And having the same interests, they will unite in the support of the fiscal arrangements of the government; as these, too, can be made with more convenience, where there is no competition: These circumstances combined, will ensure to the revenue laws a more ready and more satisfactory execution.

If, on the contrary, there are distinct provisions, there will be distinct interests, drawing different ways. That union and concert of views, among the creditors, which in every government is of great importance to their security, and to that of public credit, will not only not exist, but will be likely to give place to mutual jealousy and opposition: and from this cause, the operation of the systems which may be adopted, both by the particular states, and by the union, with relation to their respective debts, will be in danger of being counteracted.

There are several reasons which render it probable, that the situation of the state creditors would be worse than that of the creditors of the union, if there be not a national assumption of the state debts. Of these it will be sufficient to mention two; one, that a principal branch of revenue is exclusively vested in the union; the other, that a state must always be checked in the imposition of taxes on articles of consumption, from the want of power to extend the same regulation to the other states, and from the tendency of partial duties to injure its industry and commerce. Should the state creditors stand upon a less eligible footing than the others,

it is unnatural to expect they would see with pleasure a provision for them. The influence which their dissatisfaction might have, could not but operate injuriously, both for the creditors and the credit of the United States.

Hence it is even the interest of the creditors of the union, that those of the individual states should be comprehended in a general provision: Any attempt to secure to the former, either exclusive or peculiar advantages, would materially hazard their interests.

Neither would it be just, that one class of the public creditors should be more favoured than the other. The objects for which both descriptions of the debt were contracted, are in the main the same. Indeed, a great part of the particular debts of the States has arisen from assumptions by them on account of the union. And it is most equitable, that there should be the same measure of retribution for all.

There is an objection, however, to an assumption of the state debts, which deserves particular notice.

It may be supposed, that it would increase the difficulty of an equitable settlement between them and the United States.

The principles of that settlement, whenever they shall be discussed, will require all the moderation and wisdom of the government. In the opinion of the Secretary, that discussion, till further lights are obtained, would be premature.

All, therefore, which he would now think advisable on the point in question, would be, that the amount of the debts assumed and provided for, should be charged to the respective states, to abide an eventual arrangement. This, the United States, as assignees to the creditors, would have an indisputable right to do.

But as it might be a satisfaction to the House to have before them some plan for the liquidation of accounts between the union and its members, which, including the assumption of the state debts, would consist with equity; the Secretary will submit in this place such thoughts on the subject, as have occurred to his own mind, or been suggested to him, most compatible, in his judgment, with the end proposed.

Let each state be charged with all the money advanced to it out of the treasury of the United States, liquidated according to the specie value at the time of each advance, with interest at six per cent.

Let it also be charged with the amount, in specie value, of all its securities which shall be assumed, with the interest upon them, to the time when interest shall become payable by the United States.

Let it be credited for all monies paid, and articles furnished to the United States, and for all other expenditures during the war, either towards general or particular defence, whether authorized or unauthorized by the United States; the whole liquidated to specie value, and bearing an interest of six per cent. from the several times at which the several payments, advances, and expenditures accrued.

And let all sums of continental money now in the treasuries of the respective states, which shall be paid into the treasury of the United States, be credited at specie value.

Upon a statement of the accounts according to these principles, there can be little doubt, that balances would appear in favour of all the states, against the United States.

To equalize the contributions of the states, let each be then charged with its proportion of the ag-

gregate of those balances, according to some equitable ratio, to be devised for that purpose.

If the contributions should be found disproportionate, the result of this adjustment would be, that some states would be creditors, some debtors, to the union.

Should this be the case, as it will be attended with less inconvenience to the United States, to have to pay balances to, than to receive them from, the particular states, it may perhaps be practicable to effect the former by a second process, in the nature of a transfer of the amount of the debts of debtor states, to the credit of creditor states, observing the ratio by which the first apportionment shall have been made. This, whilst it would destroy the balances due from the former, would increase those due to the latter. These to be provided for by the United States, at a reasonable interest, but not to be transferable.

The expediency of this second process must depend on a knowledge of the result of the first. If the inequalities should be too great, the arrangement may be impracticable without unduly increasing the debt of the United States. But it is not likely that this would be the case. It is also to be remarked, that though this second process might not, upon the principle of apportionment, bring the thing to the point aimed at; yet it may approach so nearly to it, as to avoid essentially, the embarrassment of having considerable balances to collect from any of the states.

The whole of this arrangement, to be under the superintendence of commissioners, vested with equitable discretion, and final authority.

The general principle of it seems to be equitable; for it appears difficult to conceive a good reason why the expenses for the particular defence of a part, in a common war, should not be a common charge, as well as those incurred professedly for the general defence. The defence of each part, is that of the whole; and unless all the expenditures are brought into a common mass, the tendency must be, to add to the calamities suffered by being the most exposed to the ravages of war, an increase of burthens.

This plan seems to be susceptible of no objection which does not belong to every other, that proceeds on the idea of a final adjustment of accounts. The difficulty of settling a ratio, is common to all. This must, probably, either be sought for in the proportions of the requisitions during the war, or in the decision of commissioners appointed with plenary power. The rule prescribed in the Constitution, with regard to representation and direct taxes, would evidently not be applicable to the situation of parties during the period in question.

The existing debt of the United States is excluded from the computation, as it ought to be, because it will be provided for out of a general fund.

The only discussion of a preliminary kind which remains, relates to the distinctions of the debt, into principal and interest: It is well known, that the arrears of the latter, bear a large proportion to the amount of the former. The immediate payment of these arrears is evidently impracticable, and a question arises, what ought to be done with them?

There is good reason to conclude, that the impressions of many are more favourable to the claim of the principal, than to that of the interest; at least

so far as to produce an opinion that an inferior provision might suffice for the latter.

But to the Secretary, this opinion does not appear to be well founded. His investigations of the subject, have led him to a conclusion, that the arrears of interest have pretensions at least equal to the principal.

The liquidated debt, traced to its origin, falls under two principal discriminations. One, relating to loans; the other, to services performed, and articles supplied.

The part arising from loans, was at first made payable at fixed periods, which have long since elapsed, with an early option to lenders, either to receive back their money at the expiration of those periods, or to continue it at interest, till the whole amount of continental bills circulating, should not exceed the sum in circulation at the time of each loan. This contingency, in the sense of the contract, never happened; and the presumption is, that the creditors preferred continuing their money indefinitely at interest, to receiving it in a depreciated, and depreciating state.

The other parts of it were chiefly for objects which ought to have been paid for at the time; that is, when the services were performed, or the supplies furnished; and were not accompanied with any contract for interest.

But by different acts of government and administration, concurred in by the creditors, these parts of the debt have been converted into a capital, bearing an interest of six per cent. per annum, but without any definite period of redemption. A portion of the loan-office debt has been exchanged for new securities of that import; and the whole of it seems to

have acquired that character, after the expiration of the periods prefixed for re-payment.

If this view of the subject be a just one, the capital of the debt of the United States may be considered in the light of an annuity at the rate of six per cent. per annum, redeemable at the pleasure of the government, by payment of the principal. For it seems to be a clear position, that when a government contracts a debt payable with interest, without any precise time being stipulated or understood for payment of the capital, that time is a matter of pure discretion with the government, which is at liberty to consult its own convenience respecting it; taking care to pay the interest with punctuality.

Wherefore, as long as the United States should pay the interest of their debt, as it accrued, their creditors would have no right to demand the principal.

But with regard to the arrears of interest, the case is different. These are now due, and those to whom they are due, have a right to claim immediate payment. To say, that it would be impracticable to comply, would not vary the nature of the right. Nor can this idea of impracticability be honourably carried further, than to justify the proposition of a new contract, upon the basis of a commutation of that right for an equivalent. This equivalent, too, ought to be a real and fair one. And what other fair equivalent can be imagined for the detention of money, but a reasonable interest? Or what can be the standard of that interest, but the market rate, or the rate which the government pays in ordinary cases?

From this view of the matter, which appears to be the accurate and true one, it will follow, that the

arrears of interest are entitled to an equal provision with the principal of the debt.

The result of the foregoing discussions is this—That there ought to be no discrimination between the original holders of the debt, and present possessors by purchase—That it is expedient there should be an assumption of the state debts by the Union, and that the arrears of interest should be provided for on an equal footing with the principal.

The next inquiry, in order, towards determining the nature of a proper provision, respects the quantum of the debt, and the present rates of interest.

The debt of the union is distinguishable into foreign and domestic.

The foreign debt amounts to principal bearing an interest of four, and partly an interest of five per cent.	$10,070,307
Arrears of interest to the last of December, 1789,	1,640,071 62
Making together,	$11,710,378 62.

The domestic debt may be subdivided into liquidated and unliquidated; principal and interest.

The principal of the liquidated part amounts to bearing an interest of six per cent.	$27,383,917 74
The arrears of interest to the end of 1790, amount to	13,030,168 20
Making together,	$40,414,085 94.

This includes all that has been paid in indents, (except what has come into the treasury of the United States,) which, in the opinion of the Secretary, can be considered in no other light than as interest due.

The unliquidated part of the domestic debt, which consists chiefly of the continental bills of credit, is not ascertained, but may be estimated at 2,000,000 dollars.

These several sums constitute the whole of the debt of the United States, amounting together to 54,124,464 dollars, and 56 cents.

That of the individual states is not equally well ascertained. The Secretary, however, presumes, that the total amount may be safely stated at 25 millions of dollars, principal and interest. The present rate of interest of the state debts is, in general, the same with that of the domestic debt of the union.

On the supposition, that the arrears of interest ought to be provided for on the same terms with the principal, the annual amount of the interest, which, at the existing rates, would be payable on the entire mass of the public debt, would be,

On the foreign debt, computing the interest on the principal, as it stands, and allowing four per cent. on the arrears of interest,	$542,599 66
On the domestic debt, including that of the states,	4,044,845 15
Making together,	$4,587,444 81

The interesting problem now occurs. Is it in the power of the United States, consistently with those prudential considerations which ought not to be overlooked, to make a provision equal to the purpose of funding the whole debt, at the rates of interest which it now bears, in addition to the sum which will be necessary for the current service of the government?

The Secretary will not say that such a provision would exceed the abilities of the country; but he

ed so, in some places: and it is on the decline; the increasing plenty of money continually tending to lower it. It is presumable, that no country will be able to borrow of foreigners upon better terms than the United States, because none can, perhaps, afford so good security. Our situation exposes us less than that of any other nation, to those casualties which are the chief causes of expense; our incumbrances, in proportion to our real means, are less, though these cannot immediately be brought so readily into action; and our progress in resources from the early state of the country, and the immense tracts of unsettled territory, must necessarily exceed that of any other. The advantages of this situation have already engaged the attention of the European money-lenders, particularly among the Dutch. And as they become better understood, they will have the greater influence. Hence as large a proportion of the cash of Europe as may be wanted, will be, in a certain sense, in our market, for the use of government. And this will natusally have the effect of a reduction of the rate of interest, not indeed to the level of the places which send their money to market, but to something much nearer to it than our present rate.

The influence, which the funding of the debt is calculated to have in lowering interest, has been already remarked and explained. It is hardly possible, that it should not be materially affected by such an increase of the monied capital of the nation, as would result from the proper funding of seventy millions of dollars. But the probability of a decrease in the rate of interest, acquires confirmation from facts which existed prior to the revolution. It is well known, that in some of the states, money might

with facility be borrowed, on good security, at five per cent. and, not unfrequently, even at less.

The most enlightened of the public creditors will be most sensible of the justness of this view of the subject, and of the propriety of the use which will be made of it.

The Secretary, in pursuance of it, will assume, as a probability sufficiently great to be a ground of calculation, both on the part of the government and of its creditors—That the interest of money in the United States, will, in five years, fall to five per cent. and, in twenty, to four. The probability, in the mind of the Secretary, is rather that the fall may be more rapid and more considerable; but he prefers a mean, as most likely to engage the assent of the creditors, and more equitable in itself; because it is predicated on probabilities, which may err on one side, as well as on the other.

Premising these things, the Secretary submits to the House the expediency of proposing a loan to the full amount of the debt, as well of the particular states, as of the union, upon the following terms:

First—That for every hundred dollars subscribed, payable in the debt, (as well interest as principal,) the subscriber be entitled, at his option, either

To have two-thirds funded at an annuity, or yearly interest of six per cent. redeemable at the pleasure of the government, by payment of the principal; and to receive the other third in lands in the Western Territory, at the rate of twenty cents per acre. Or,

To have the whole sum funded at an annuity or yearly interest of four per cent. irredeemable by any payment exceeding five dollars per annum on account both of principal and interest; and to receive,

as a compensation for the reduction of interest, fifteen dollars and eighty cents, payable in lands, as in the preceding case. Or,

To have sixty-six dollars and two thirds of a dollar funded immediately at an annuity or yearly interest of six per cent. irredeemable by any payment exceeding four dollars and two-thirds of a dollar per annum, on account both of principal and interest; and to have, at the end of ten years, twenty-six dollars and eighty-eight cents, funded at the like interest and rate of redemption. Or,

To have an annuity for the remainder of life, upon the contingency of living to a given age, not less distant than ten years, computing interest at four per cent. Or,

To have an annuity for the remainder of life, upon the contingency of the survivorship of the youngest of two persons, computing interest, in this case also, at four per cent.

In addition to the foregoing loan, payable wholly in the debt, the Secretary would propose, that one should be opened for ten millions of dollars, on the following plan.

That for every hundred dollars subscribed, payable one half in specie, and the other half in debt, (as well principal as interest,) the subscriber be entitled to an annuity or yearly interest of five per cent. irredeemable by any payment exceeding six dollars per annum, on account both of principal and interest.

The principles and operation of these different plans may now require explanation.

The first is simply a proposition for paying one third of the debt in land, and funding the other two-thirds, at the existing rate of interest, and upon the

same terms of redemption, to which it is at present subject.

Here is no conjecture, no calculation of probabilities. The creditor is offered the advantage of making his interest principal, and he is asked to facilitate to the government an effectual provision for his demands, by accepting a third part of them in land, at a fair valuation.

The general price, at which the western lands have been heretofore sold, has been a dollar per acre in public securities; but at the time the principal purchases were made, these securities were worth, in the market, less than three shillings in the pound. The nominal, price, therefore, would not be the proper standard, under present circumstances; nor would the precise specie value then given, be a just rule. Because, as the payments were to be made by instalments, and the securities were, at the times of the purchases, extremely low, the probability of a moderate rise must be presumed to have been taken into the account. Twenty cents, therefore, seems to bear an equitable proportion to the two considerations of value at the time, and likelihood of increase.

It will be understood, that, upon this plan, the public retains the advantage of availing itself of any fall in the market rate of interest, for reducing that upon the debt; which is perfectly just, as no present sacrifice, either in the quantum of the principal, or in the rate of interest, is required from the creditor.

The inducement to the measure is, the payment of one third of the debt in land.

The second plan is grounded upon the supposition, that interest, in five years, will fall to five per cent. in fifteen more, to four. As the capital re-

mains entire, but bearing an interest of four per cent. only, compensation is to be made to the creditor, for the interest of two per cent. per annum for five years, and of one per cent. per annum for fifteen years, to commence at the distance of five years. The present value of these two sums or annuities, computed according to the terms of the supposition, is, by strict calculation, fifteen dollars and seven hundred and ninety-two thousandth parts of a dollar; a fraction less than the sum proposed.

The inducement to the measure here is, the reduction of interest to a rate, more within the compass of a convenient provision; and the payment of the compensation in lands.

The inducements to the individual are—the accommodation afforded to the public—the high probability of a complete equivalent—the chance even of gain, should the rate of interest fall, either more speedily or in a greater degree, than the calculation supposes. Should it fall to five per cent. sooner than five years; should it fall lower than five before the additional fifteen were expired; or should it fall below four, previous to the payment of the debt, there would be, in each case, an absolute profit to the creditor. As his capital will remain entire, the value of it will increase, with every decrease of the rate of interest.

The third plan proceeds upon the like supposition of a successive fall in the rate of interest. And upon that supposition offers an equivalent to the creditor. One hundred dollars, bearing an interest of six per cent. for five years; of five per cent. for fifteen years, and thenceforth of four per cent, (these being the successive rates of interest in the market,) is equal to a capital of 122 dollars, 510725 parts, bearing an interest of four per cent. which, convert-

ed into a capital, bearing a fixed rate of interest of six per cent. is equal to 81 dollars, 6738166 parts.

The difference between sixty-six dollars and two-thirds of a dollar, (the sum to be funded immediately,) and this last sum is 15 dollars, 0172 parts, which at six per cent. per annum, amounts at the end of ten years, to 26 dollars, 8755 parts, the sum to be funded at the expiration of that period.

It ought, however, to be acknowledged, that this calculation does not make allowance for the principle of redemption, which the plan itself includes; upon which principle the equivalent in a capital of six per cent. would be, by strict calculation, 87 dolls. 50766 parts.

But there are two considerations which induce the Secretary to think that the one proposed would operate more equitably than this: One is, that it may not be very early in the power of the United States to avail themselves of the right of redemption reserved in the plan: The other is, that with regard to the part to be funded at the end of ten years, the principle of redemption is suspended during that time, and the full interest at six per cent. goes on *improving* at the *same rate;* which for the *last five years* will exceed the market rate of interest, according to the supposition.

The equivalent is regulated in this plan, by the circumstance of fixing the rate of interest higher than it is supposed it will continue to be in the market; permitting only a gradual discharge of the debt, in an established proportion, and consequently preventing advantage being taken of any decrease of interest below the stipulated rate.

Thus the true value of eighty-one dollars and sixty-seven cents, the capital proposed, considered as a

perpetuity, and bearing six per cent. interest, when the market rate of interest was five per cent. would be a small fraction more than ninety-eight dollars; when it was four per cent. would be one hundred and twenty-two dollars and fifty-one cents. But the proposed capital being subject to gradual redemption, it is evident that its value, in each case, would be somewhat less. Yet from this may be perceived, the manner in which a less capital at a fixed rate of interest, becomes an equivalent for a greater capital, at a rate liable to variation and diminution.

It is presumable that those creditors, who do not entertain a favourable opinion of property in western lands, will give a preference to this last mode of modelling the debt. The Secretary is sincere in affirming, that in his opinion, it will be likely to prove, *to the full*, as beneficial to the creditors, as a provision for his debt upon its present terms.

It is not intended, in either case, to oblige the government to redeem, in the proportion specified, but to secure to it the right of doing so, to avoid the inconvenience of a perpetuity.

The fourth and fifth plans abandon the supposition which is the basis of the two preceding ones, and offer only four per cent. throughout.

The reason of this is, that the payment being deferred, there will be an accumulation of compound interest, in the intermediate period against the public, which, without a very provident administration, would turn to its detriment. And the suspension of the burthen would be too apt to beget a relaxation of efforts in the mean time. The measure, therefore, its object being temporary accommodation, could only be adviseable upon a moderate rate of interest.

With regard to individuals, the inducement will be sufficient at four per cent. There is no disposition of money, in private loans, making allowance for the usual delays and casualties, which would be equally beneficial as a future provision.

A hundred dollars advanced upon the life of a person of eleven years old, would produce an annuity,

	Dolls.	Parts.
If commencing at twenty-one, of	10	346
If commencing at thirty-one, of	18	803
If commencing at forty-one, of	37	286
If commencing at fifty one, of	78	580

The same sum advanced upon the chance of the survivorship of the youngest of two lives, one of the persons being twenty-five, the other thirty years old, would produce, if the youngest of the two should survive, an annuity for the remainder of life of 23 dollars, 556 parts.

From these instances may readily be discerned, the advantages which these deferred annuities afford for securing a comfortable provision for the evening of life, or for wives who survive their husbands.

The sixth plan also relinquishes the supposition, which is the foundation of the second and third, and offers a higher rate of interest upon similar terms of redemption, for the consideration of the payment of one half of the loan in specie. This is a plan highly advantageous to the creditors, who may be able to make that payment; while the specie itself could be applied in purchases of the debt, upon terms, which would fully indemnify the public for the increased interest.

It is not improbable, that foreign holders of the domestic debt, may embrace this as a desirable arrangement.

As an auxiliary expedient, and by way of experiment, the Secretary would propose a loan upon the principles of a tontine—

To consist of six classes, composed respectively of persons of the following ages:

First class, of those of 20 years and under.

Second class, of those above 20, and not exceeding 30.

Third class, of those above 30, and not exceeding 40.

Fourth class, of those above 40, and not exceeding 50.

Fifth class, of those above 50, and not exceeding 60.

Sixth class, of those above 60.

Each share to be two hundred dollars. The number of shares in each class, to be indefinite. Persons to be at liberty to subscribe on their own lives, or on those of others, nominated by them.

The annuity upon a share in the first class to be	$8 40
upon a share in the second	8 65
upon a share in the third	9 0
upon a share in the fourth	9 65
upon a share in the fifth	10 70
upon a share in the sixth	12 80

The annuities of those who die, to be equally divided among the survivors, until four-fifths shall be dead, when the principle of survivorship shall cease, and each annuitant thenceforth enjoy his dividend as a several annuity during life, upon which it shall depend.

These annuities are calculated on the best life in each class, and at a rate of interest of four per cent. with some deductions in favour of the public. To the advantages which these circumstances present,

the cessation of the right of survivorship on the death of four-fifths of the annuitants, will be no inconsiderable addition.

The inducements to individuals are, a competent interest for their money from the outset, secured for life, and the prospect of continual increase, and even of large profit to those whose fortune it is to survive their associates.

It will have appeared, that in all the proposed loans, the Secretary has contemplated the putting the interest upon the same footing with the principal: *That* on the debt of the United States, he would have computed to the last of the present year: *That* on the debt of the particular states, to the last of the year 1791; the reason for which distinction will be seen hereafter.

In order to keep up a due circulation of money, it will be expedient, that the interest of the debt should be paid quarter-yearly. This regulation will, at the same time, conduce to the advantage of the public creditors, giving them, in fact, by the anticipation of payment, a higher rate of interest; which may, with propriety, be taken into the estimate of the compensation to be made to them. Six per cent. per annum, paid in this mode, will truly be worth six dollars and one hundred and thirty-five thousandth parts of a dollar, computing the market interest at the same rate.

The Secretary thinks it adviseable, to hold out various propositions, all of them compatible with the public interest, because it is, in his opinion, of the greatest consequence that the debt should, with the consent of the creditors, be remoulded into such a shape, as will bring the expenditure of the nation to a level with its income. Till this shall be accom-

plished, the finances of the United States will never wear a proper countenance. Arrears of interest, continually accruing, will be as continual a monument, either of inability or of ill faith; and will not cease to have an evil influence on public credit. In nothing are appearances of greater moment, than in whatever regards credit. Opinion is the soul of it, and this is affected by appearances, as well as realities. By offering an option to the creditors, between a number of plans, the change meditated will be more likely to be accomplished. Different tempers will be governed by different views of the subject.

But while the Secretary would endeavour to effect a change in the form of the debt, by new loans, in order to render it more susceptible of an adequate provision; he would not think it proper to aim at procuring the concurrence of the creditors by operating upon their necessities.

Hence whatever surplus of revenue might remain, after satisfying the interest of the new loans, and the demand for the current service, ought to be divided among those creditors, if any, who may not think fit to subscribe to them. But for this purpose, under the circumstance of depending propositions, a temporary appropriation will be most adviseable, and the sum must be limited to four per cent. as the revenues will only be calculated to produce, in that proportion, to the entire debt.

The Secretary confides for the success of the propositions to be made, on the goodness of the reasons upon which they rest; on the fairness of the equivalent to be offered in each case; on the discernment of the creditors of their true interest; and on their disposition to facilitate the arrangements of the

government, and to render them satisfactory to the community.

The remaining part of the task to be performed is, to take a view of the means of providing for the debt, according to the modification of it, which is proposed.

On this point the Secretary premises, that, in his opinion, the funds to be established ought, for the present, to be confined to the existing debt of the United States; as well because a progressive augmentation of the revenue will be most convenient, as because the consent of the state creditors is necessary, to the assumption contemplated; and though the obtaining of that consent may be inferred with great assurance, from their obvious interest to give it; yet till it shall be obtained, an actual provision for the debt would be premature. Taxes could not with propriety, be laid for an object, which depended on such a contingency.

All that ought now to be done respecting it, is, to put the matter in an effectual train for a future provision. For which purpose the Secretary will, in the course of this report, submit such propositions, as appear to him adviseable.

The Secretary now proceeds to a consideration of the necessary funds.

It has been stated that the debt of the United States consists of

The foreign debt, amounting, with arrears of interest, to	$11,710,378 62
And the domestic debt, amounting, with like arrears, computed to the end of the year 1790, to	42,414,085 94
Making together,	$54,124,464 56

The interest on the domestic debt is computed to the end of this year, because the details of carrying any plan into execution, will exhaust the year.

The annual interest of the foreign debt has been stated at	$542,599 66
And the interest on the domestic debt, at four per cent. would amount to	1,696,563 43
Making together,	$2,239,163 09

Thus to pay the interest of the foreign debt, and to pay four per cent. on the whole of the domestic debt, principal and interest, forming a new capital, will require a yearly income of $2,239,163 09.

The sum which, in the opinion of the Secretary, ought now to be provided in addition to what the current service will require.

For, though the rate of interest, proposed by the third plan, exceeds four per cent. on the whole debt, and the annuities on the tontine will also exceed four per cent. on the sums which may be subscribed; yet, as the actual provision for a part is, in the former case, suspended; as measures for reducing the debt, by purchases, may be advantageously pursued, and as the payment of the deferred annuities will of course be postponed, four per cent. on the whole, will be a sufficient provision.

With regard to the instalments of the foreign debt, these, in the opinion of the Secretary, ought to be paid by new loans abroad. Could funds be conveniently spared from other exigencies, for paying them, the United States could illy bear the drain of cash, at the present juncture, which the measure would be likely to occasion.

But to the sum which has been stated for pay-

ment of the interest, must be added a provision for the current service. This the Secretary estimates at six hundred thousand dollars; making, with the amount of the interest, two millions eight hundred and thirty-nine thousand one hundred and sixty-three dollars, and nine cents.

This sum may, in the opinion of the Secretary, be obtained from the present duties on imports and tonnage, with the additions, which, without any possible disadvantage either to trade or agriculture, may be made on wines, spirits, including those distilled within the United States, teas and coffee.

The Secretary conceives, that it will be sound policy, to carry the duties upon articles of this kind, as high as will be consistent with the practicability of a safe collection. This will lessen the necessity, both of having recourse to direct taxation, and of accumulating duties where they would be more inconvenient to trade, and upon objects which are more to be regarded as necessaries of life.

That the articles which have been enumerated will, better than most others, bear high duties, can hardly be a question. They are all of them, in reality, luxuries—the greatest part of them foreign luxuries; some of them, in the excess in which they are used, pernicious luxuries. And there is, perhaps, none of them, which is not consumed in so great abundance, as may, justly, denominate it a source of national extravagance and impoverishment. The consumption of ardent spirits particularly, no doubt very much on account of their cheapness, is carried to an extreme, which is truly to be regretted, as well in regard to the health and the morals, as to the economy of the community.

Should the increase of duties tend to a decrease of the consumption of those articles, the effect would

be, in every respect desirable. The saving which it would occasion, would leave individuals more at their ease, and promote a more favourable balance of trade. As far as this decrease might be applicable to distilled spirits, it would encourage the substitution of cider and malt liquors, benefit agriculture, and open a new and productive source of revenue.

It is not, however, probable, that this decrease would be in a degree, which would frustrate the expected benefit to the revenue from raising the duties. Experience has shown, that luxuries of every kind lay the strongest hold on the attachments of mankind, which, especially when confirmed by habit, are not easily alienated from them.

The same fact affords a security to the merchant, that he is not likely to be prejudiced by considerable duties on such articles. They will usually command a proportional price. The chief things in this view to be attended to, are, that the terms of payment be so regulated, as not to require inconvenient advances, and that the mode of collection be secure.

To other reasons, which plead for carrying the duties upon the articles which have been mentioned, to as great an extent as they will well bear, may be added these; that they are of a nature, from their extensive consumption, to be very productive, and are amongst the most difficult objects of illicit introduction.

Invited by so many motives to make the best use of the resource which these articles afford, the essential inquiry is—in what mode can the duties upon them be most effectually collected?

With regard to such of them as will be brought from abroad, a duty on importation recommends it-

self by two leading considerations; one is, that meeting the object at its first entrance into the country, the collection is drawn to a point, and so far simplified; the other is, that it avoids the possibility of interference between the regulations of the United States, and those of the particular states.

But a duty, the precautions for the collection of which should terminate with the landing of the goods, as is essentially the case in the existing system, could not, with safety, be carried to the extent which is contemplated.

In that system, the evasion of the duties depends, as it were, on a single risk. To land the goods in defiance of the vigilance of the officers of the customs, is almost the sole difficulty. No future pursuit is materially to be apprehended. And where the inducement is equivalent to the risk, there will be found too many who are willing to run it. Consequently, there will be extensive frauds of the revenue, against which the utmost rigour of penal laws has proved, as often as it has been tried, an ineffectual guard.

The only expedient which has been discovered, for conciliating high duties with a safe collection, is, the establishment of a *second* or interior scrutiny.

By pursuing the article from its importation into the hands of the dealers in it, the risk of detection is so greatly enhanced, that few, in comparison, will venture to incur it. Indeed every dealer, who is not himself the fraudulent importer, then becomes, in some sort, a centinel upon him.

The introduction of a system, founded on this principle, in some shape or other, is, in the opinion of the Secretary, essential to the efficacy of every attempt to render the revenues of the United States

equal to their exigencies, their safety, their prosperity, their honour.

Nor is it less essential to the interest of the honest and fair trader. It might even be added, that every individual citizen, besides his share in the general weal, has a particular interest in it. The practice of smuggling never fails to have one of two effects, and sometimes unites them both. Either the smuggler undersells the fair trader, as, by saving the *duty*, he can afford to do, and makes *it* a charge upon him; or he sells at the increased price occasioned by the duty, and defrauds every man, who buys of him, of his share of what the public ought to receive. For it is evident, that the loss falls ultimately upon the citizens, who must be charged with other taxes to make good the deficiency, and supply the wants of the state.

The Secretary will not presume, that the plan, which he shall submit to the consideration of the house, is the best that could be devised. But it is the one which has appeared to him freest from objections of any, that has occurred, of equal efficacy. He acknowledges, too, that it is susceptible of improvement, by other precautions in favour of the revenue, which he did not think it expedient to add. The chief outlines of the plan are not original, but it is no ill recommendation of it, that it has been tried with success.

The Secretary accordingly proposes,

That the duties heretofore laid upon wines, distilled spirits, teas, and coffee, should, after the last day of May next, cease; and that instead of them, the following duties be laid:—

Upon every gallon of Madeira Wine, of the quality of London particular, thirty-five cents.

Upon every gallon of other Madeira Wine, thirty cents.

Upon every gallon of Sherry, twenty-five cents.

Upon every gallon of other Wine, twenty cents.

Upon every gallon of distilled Spirits, more than ten per cent. below proof, according to Dicas's hydrometer, twenty cents.

Upon every gallon of those Spirits, under five, and not more than ten per cent. below proof, according to the same hydrometer, twenty-one cents.

Upon every gallon of those Spirits, of proof, and not more than five per cent. below proof, according to the same hydrometer, twenty-two cents.

Upon every gallon of those Spirits, above proof, but not exceeding twenty per cent. according to the same hydrometer, twenty-five cents.

Upon every gallon of those Spirits, more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, thirty cents.

Upon every gallon of those Spirits, more than forty per cent. above proof, according to the same hydrometer, forty cents.

Upon every pound of Hyson Tea, forty cents.

Upon every pound of other Green Tea, twenty-four cents.

Upon every pound of Souchong and other black Teas, except Bohea, twenty cents.

Upon every pound of Bohea Tea, twelve cents.

Upon every pound of Coffee, five cents.

That upon Spirits distilled within the United States, from Molasses, Sugar, or other foreign materials, there be paid—

Upon every gallon of those Spirits, more than ten

per cent. below proof, according to Dicas's hydrometer, eleven cents.

Upon every gallon of those Spirits, under five, and not more than ten per cent. below proof, according to the same hydrometer, twelve cents.

Upon every gallon of those Spirits, of proof, and not more than five per cent. below proof, according to the same hydrometer, thirteen cents.

Upon every gallon of those Spirits, above proof, but not exceeding twenty per cent. according to the same hydrometer, fifteen cents.

Upon every gallon of those Spirits, more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, twenty cents.

Upon every gallon of those Spirits, more than forty per cent. above proof, according to the same hydrometer, thirty cents.

That upon Spirits distilled within the United States, in any city, town, or village, from materials of the growth or production of the United States, there be paid—

Upon every gallon of those Spirits, more than ten per cent. below proof, according to Dicas's hydrometer, nine cents.

Upon every gallon of those Spirits, under five, and not more than ten per cent. below proof, according to the same hydrometer, ten cents.

Upon every gallon of those Spirits, of proof, and not more than five per cent. below proof, according to the same hydrometer, eleven cents.

Upon every gallon of those spirits, above proof, but not exceeding twenty per cent. according to the same hydrometer, thirteen cents.

Upon every gallon of those Spirits, more than

twenty, and not more than forty per cent. above proof, according to the same hydrometer, seventeen cents.

Upon every gallon of those Spirits, more than forty per cent. above proof, according to the same hydrometer, twenty-five cents.

That upon all Stills, employed in distilling Spirits from materials of the growth or production of the United States, in any other place than a city, town, or village, there be paid the yearly sum of sixty cents, for every gallon, English wine measure, of the capacity of each Still, including its head.

The Secretary does not distribute the duties on Teas into different classes, as has been done in the impost act of the last session; because this distribution depends on considerations of commercial policy, not of revenue. It is sufficient, therefore, for him to remark, that the rates, above specified, are proposed with reference to the lowest class.

The Secretary, conceiving that he could not convey an accurate idea of the plan contemplated by him, for the collection of these duties, in any mode so effectual as by the draft of a bill for the purpose, begs leave respectfully to refer the House to that which will be found annexed to this report, relatively to the article of distilled Spirits; and which, for the better explanation of some of its parts, is accompanied with marginal remarks*.

It would be the intention of the Secretary, that the duty on wines, should be collected upon precisely the same plan with that on imported spirits.

* The draft of the bill here referred to, was substantially adopted by Congress as the ground of the present law on that subject.

But with regard to teas and coffee, the Secretary is inclined to think, that it will be expedient, till experience shall evince the propriety of going further, to exclude the *ordinary* right of the officers to visit and inspect the places in which those articles may be kept. The other precautions, without this, will afford, though not complete, considerable security.

It will not escape the observation of the House, that the Secretary, in the plan submitted, has taken the most scrupulous care, that those citizens upon whom it is immediately to operate, be secured from every species of injury by the misconduct of the officers to be employed. There are not only strong guards against their being guilty of abuses of authority; they are not only punishable, criminally, for any they may commit, and made answerable in damages, to individuals, for whatever prejudice these may sustain by their acts or neglects: but even where seizures are made with probable cause, if there be an acquittal of the article seized, a compensation to the proprietors for the injury their property may suffer, and even for its detention, is to be made out of the public treasury.

So solicitous indeed has the Secretary been, to obviate every appearance of hardship, that he has even included a compensation to the dealers, for their agency in aid of the revenue.

With all these precautions to manifest a spirit of moderation and justice on the part of the government; and when it is considered, that the object of the proposed system is the firm establishment of public credit; that on this depends the character, security and prosperity of the nation; that advantages in every light important, may be expected to result

from it; that the immediate operation of it will be upon an enlightened class of citizens, zealously devoted to good government, and to a liberal and enlarged policy, and that it is peculiarly the interest of the virtuous part of them to co-operate in whatever will restrain the spirit of illicit traffic; there will be perceived to exist the justest ground of confidence, that the plan, if eligible in itself, will experience the cheerful and prompt acquiescence of the community.

The Secretary computes the neat product of the duties proposed in this report, at about one million seven hundred and three thousand four hundred dollars; which, if near the truth, will, together with the probable product of the duties on imports and tonnage, complete the sum required. But it will readily occur, that in so unexplored a field, there must be a considerable degree of uncertainty in the data. And that, on this account, it will be prudent to have an auxiliary resource for the first year, in which the interest will become payable, that there may be no possibility of disappointment to the public creditors, ere there may be an opportunity of providing for any deficiency, which the experiment may discover. This will accordingly be attended to.

The proper appropriation of the funds provided, and to be provided, seems next to offer itself to consideration.

On this head, the Secretary would propose, that the duties on distilled spirits should be applied, in the first instance, to the payment of the interest of the foreign debt.

That reserving out of the residue of those duties an annual sum of six hundred thousand dollars, for

the current service of the United States; the surplus, together with the product of the other duties, be applied to the payment of the interest on the new loan, by an appropriation, co-extensive with the duration of the debt.

And that if any part of the debt should remain unsubscribed, the excess of the revenue be divided among the creditors of the unsubscribed part, by a temporary disposition; with a limitation, however, to four per cent.

It will hardly have been unnoticed, that the Secretary has been thus far silent on the subject of the post-office. The reason is, that he has had in view the application of the revenue arising from that source, to the purposes of a sinking fund. The post-master-general gives it as his opinion, that the immediate product of it, upon a proper arrangement, would probably be, not less than one hundred thousand dollars: and from its nature, with good management, it must be a growing, and will be likely to become a considerable fund. The post-master-general is now engaged in preparing a plan, which will be the foundation of a proposition for a new arrangement of the establishment. This, and some other points relative to the subject referred to the Secretary, he begs leave to reserve for a future report.

Persuaded as the Secretary is, that the proper funding of the present debt will render it a national blessing; yet he is so far from acceding to the position, in the latitude in which it is sometimes laid down, that "public debts are public benefits," a position inviting to prodigality, and liable to dangerous abuse, that he ardently wishes to see it incorporated, as a fundamental maxim, in the system of

public credit of the United States, that the creation of debt should always be accompanied with the means of extinguishment. This he regards as the true secret for rendering public credit immortal. And he presumes, that it is difficult to conceive a situation, in which there may not be an adherence to the maxim. At least he feels an unfeigned solicitude, that this may be attempted by the United States, and that they may commence their measures for the establishment of credit, with the observance of it.

Under this impression, the Secretary proposes, that the neat product of the post-office, to a sum not exceeding one million of dollars, be vested in commissioners, to consist of the Vice-President of the United States, or President of the Senate, the Speaker of the House of Representatives, the Chief Justice, Secretary of the Treasury, and Attorney-General of the United States, for the time being, in trust, to be applied by them, or any three of them, to the discharge of the existing public debt, either by purchases of stock in the market, or by payments on account of the principal, as shall appear to them most adviseable, in conformity to public engagements; to continue so vested, until the whole of the debt shall be discharged.

As an additional expedient for effecting a reduction of the debt, and for other purposes which will be mentioned, the Secretary would further propose, that the same commissioners be authorized, with the approbation of the President of the United States, to borrow, on their credit, a sum, not exceeding twelve millions of dollars, to be applied,

First. To the payment of the interest and instalments of the foreign debt, to the end of the present year, which will require 3,491,923 dollars and 46 cents.

Secondly. To the payment of any deficiency which may happen in the product of the funds provided for paying the interest of the domestic debt.

Thirdly. To the effecting a change in the form of such part of the foreign debt, as bears an interest of five per cent. It is conceived that for this purpose a new loan, at a lower interest, may be combined with other expedients. The remainder of this part of the debt, after paying the instalments, which will accrue in the course of 1790, will be 3,888,888 dolls. and 81 cents.

Fourthly. To the purchase of the public debt at the price it shall bear in the market, while it continues below its true value. This measure, which would be, in the opinion of the Secretary, highly dishonourable to the government, if it were to precede a provision for funding the debt, would become altogether unexceptionable, after that had been made. Its effect would be in favour of the public creditors, as it would tend to raise the value of stock. And all the difference between its true value and the actual price, would be so much clear gain to the public. The payment of foreign interest on the capital to be borrowed for this purpose, should that be a necessary consequence, would not, in the judgment of the Secretary, be a good objection to the measure. The saving by the operation would be itself a sufficient indemnity; and the employment of that capital, in a country situated like this, would much more than compensate for it. Besides, if the government does not undertake this operation, the same

inconvenience which the objection in question supposes, would happen in another way, with a circumstance of aggravation. As long, at least, as the debt shall continue below its proper value, it will be an object of speculation to foreigners, who will not only receive the interest upon what they purchase, and remit it abroad, as in the case of the loan, but will reap the additional profit of the difference in value. By the government's entering into competition with them, it will not only reap a part of the profit itself, but will contract the extent, and lessen the extra profit of foreign purchases. That competition will accelerate the rise of stock; and whatever greater rate this obliges foreigners to pay for what they purchase, is so much clear saving to the nation. In the opinion of the Secretary, and contrary to an idea which is not without patrons, it ought to be the policy of the government, to raise the value of stock to its true standard as fast, as possible. When it arrives to that point, foreign speculations, (which, till then, must be deemed pernicious, further than as they serve to bring it to that point,) will become beneficial. Their money laid out in this country, upon our agriculture, commerce, and manufactures, will produce much more to us, than the income they will receive from it.

The Secretary contemplates the application of this money, through the medium of a national bank, for which, with the permission of the House, he will submit a plan in the course of the session.

The Secretary now proceeds, in the last place, to offer to the consideration of the House, his ideas of the steps which ought, at the present session, to be taken towards the assumption of the state debts.

These are, briefly; that concurrent resolutions of the two Houses, with the approbation of the President, be entered into, declaring in substance,

That the United States do assume, and will at the first session in the year 1791, provide, on the same terms with the present debt of the United States, for all such part of the debts of the respective states, or any of them, as shall, prior to the first day of January in the said year 1791, be subscribed towards a loan to the United States, upon the principles of either of the plans which shall have been adopted by them, for obtaining a re-loan of their present debt.

Provided, that the provision to be made as aforesaid, shall be suspended, with respect to the debt of any state, which may have exchanged the securities of the United States for others issued by itself; until the whole of the said securities shall either be re-exchanged, or surrendered to the United States.

And provided, also, that the interest upon the debt assumed, be computed to the end of the year 1791; and that the interest to be paid by the United States, commence on the first day of January, 1792.

That the amount of the debt of each state so assumed and provided for, be charged to such state in account with the United States, upon the same principles upon which it shall be lent to the United States.

That subscriptions be opened for receiving loans of the said debts at the same times and places, and under the like regulations, as shall have been prescribed in relation to the debt of the United States.

The Secretary has now completed the objects which he proposed to himself to comprise in the

present report. He has, for the most part, omitted details, as well to avoid fatiguing the attention of the House, as because more time would have been desirable even to digest the general principles of the plan. If these should be found right, the particular modifications will readily suggest themselves in the progress of the work.

The Secretary, in the views which have directed his pursuit of the subject, has been influenced, in the first place, by the consideration, that his duty, from the very terms of the resolution of the House, obliged him to propose what appeared to him an adequate provision for the support of the public credit, adapted at the same time to the real circumstances of the United States; and in the next, by the reflection, that measures which will not bear the test of future unbiassed examination, can neither be productive of individual reputation, nor, (which is of much greater consequence,) public honour or advantage.

Deeply impressed, as the Secretary is, with a full and deliberate conviction, that the establishment of public credit, upon the basis of a satisfactory provision for the public debt, is, under the present circumstances of this country, the true desideratum towards relief from individual and national embarrassments; that without it, these embarrassments will be likely to press still more severely upon the community—He cannot but indulge an anxious wish, that an effectual plan for that purpose may, during the present session, be the result of the united wisdom of the legislature.

He is fully convinced, that it is of the greatest importance, that no further delay should attend the making of the requisite provision; not only because

it will give a better impression of the good faith of the country, and will bring earlier relief to the creditors; both which circumstances are of great moment to public credit; but, because the advantages to the community from raising stock, as speedily as possible, to its natural value, will be incomparably greater than any that can result from its continuance below that standard. No profit, which could be derived from purchases in the market, on account of the government, to any practicable extent, would be an equivalent for the loss which would be sustained by the purchases of foreigners at a low value. Not to repeat, that governmental purchases, to be honourable, ought to be preceded by a provision. Delay, by disseminating doubt, would sink the price of stock; and as the temptation to foreign speculations, from the lowness of the price, would be too great to be neglected, millions would probably be lost to the United States.

All which is humbly submitted.

ALEXANDER HAMILTON,

Secretary of the Treasury.

REPORT

ON A

NATIONAL BANK.

Treasury Department, Dec. 13, 1790.

IN obedience to the order of the HOUSE *of* REPRESENTATIVES, *of the ninth day of August last, requiring the* SECRETARY *of the* TREASURY *to prepare and report, on this day, such further provision as may, in his opinion, be necessary for establishing the* PUBLIC CREDIT—*the said Secretary further*

RESPECTFULLY REPORTS,

THAT from a conviction that a National Bank is an institution of primary importance to the prosperous administration of the finances, and would be of the greatest utility in the operations connected with the support of the Public Credit, his attention has been drawn to devising the plan of such an institution, upon a scale which will entitle it to the confidence, and be likely to render it equal to the exigencies, of the public.

Previously to entering upon the detail of this plan, he entreats the indulgence of the House, towards some preliminary reflections naturally arising out of the subject, which he hopes will be deemed neither

useless nor out of place. Public opinion being the ultimate arbiter of every measure of government, it can scarcely appear improper, in deference to that, to accompany the origination of any new proposition with explanations, which the superior information, of those to whom it is immediately addressed, would render superfluous.

It is a fact well understood, that public banks have found admission and patronage among the principal and most enlightened commercial nations. They have successively obtained in Italy, Germany, Holland, England, and France, as well as in the United States. And it is a circumstance which cannot but have considerable weight, in a candid estimate of their tendency, that after an experience of centuries, there exists not a question about their utility in the countries in which they have been so long established. Theorists and men of business unite in the acknowledgment of it.

Trade and industry, wherever they have been tried, have been indebted to them for important aid. And government has been repeatedly under the greatest obligations to them, in dangerous and distressing emergencies. That of the United States, as well in some of the most critical conjunctures of the late war, as since the peace, has received assistance from those established among us, with which it could not have dispensed.

With this two-fold evidence before us, it might be expected, that there would be a perfect union of opinions in their favour. Yet doubts have been entertained; jealousies and prejudices have circulated; and though the experiment is every day dissipating them, within the spheres in which effects are best known; yet there are still persons by whom they

have not been entirely renounced. To give a full and accurate view of the subject, would be to make a treatise of a report; but there are certain aspects in which it may be cursorily exhibited, which may perhaps conduce to a just impression of its merits. These will involve a comparison of the advantages with the disadvantages, real or supposed, of such institutions.

The following are among the principal advantages of a Bank:—

First. The augmentation of the active or productive capital of a country. Gold and silver, where they are employed merely as the instruments of exchange and alienation, have been not improperly denominated dead stock; but when deposited in banks, to become the basis of a paper circulation, which takes their character and place, as the signs or representatives of value, they then acquire life, or, in other words, an active and productive quality. This idea, which appears rather subtil and abstract, in a general form, may be made obvious and palpable, by entering into a few particulars. It is evident, for instance, that the money which a merchant keeps in his chest, waiting for a favourable opportunity to employ it, produces nothing till that opportunity arrives. But if, instead of locking it up in this manner, he either deposits it in a bank, or invests it in the stock of a bank, it yields a profit during the interval, in which he partakes, or not, according to the choice he may have made of being a depositor or a proprietor; and when any advantageous speculation offers, in order to be able to embrace it, he has only to withdraw his money, if a depositor, or if a proprietor, to obtain a loan from the

bank, or to dispose of his stock; an alternative seldom or never attended with difficulty, when the affairs of the institution are in a prosperous train. His money thus deposited or invested, is a fund upon which himself and others can borrow to a much larger amount. It is a well established fact, that banks in good credit can circulate a far greater sum than the actual quantum of their capital in gold and silver. The extent of the possible excess seems indeterminate; though it has been conjecturally stated at the proportions of two and three to one. This faculty is produced in various ways. First—A great proportion of the notes which are issued and pass current as cash, are indefinitely suspended in circulation, from the confidence which each holder has, that he can at any moment turn them into gold and silver. Secondly—Every loan which a bank makes, is, in its first shape, a credit given to the borrower on its books, the amount of which it stands ready to pay, either in its own notes, or in gold or silver, at his option. But, in a great number of cases, no actual payment is made in either. The borrower frequently, by a check or order, transfers his credit to some other person, to whom he has a payment to make; who, in his turn, is as often content with a similar credit, because he is satisfied that he can, whenever he pleases, either convert it into cash, or pass it to some other hand, as an equivalent for it. And in this manner the credit keeps circulating, performing, in every stage, the office of money, till it is extinguished by a discount with some person who has a payment to make to the bank, to an equal or greater amount. Thus large sums are lent and paid, frequently through a variety of hands, without the intervention of a single piece of coin. Thirdly—There

is always a large quantity of gold and silver in the repositories of the bank, besides its own stock, which is placed there with a view, partly to its safe keeping, and partly to the accommodation of an institution, which is itself a source of general accommodation. These deposits are of immense consequence in the operations of a bank. Though liable to be re-drawn at any moment, experience proves, that the money so much oftener changes proprietors than place, and that what is drawn out is generally so speedily replaced, as to authorize the counting upon the sums deposited, as an *effective fund;* which, concurring with the stock of the bank, enables it to extend its loans, and to answer all the demands for coin, whether in consequence of those loans, or arising from the occasional return of its notes.

These different circumstances explain the manner in which the ability of a bank to circulate a greater sum than its actual capital in coin, is acquired. This, however, must be gradual; and must be preceded by a firm establishment of confidence; a confidence which may be bestowed on the most rational grounds; since the excess in question will always be bottomed on good security of one kind or another. This every well-conducted bank carefully requires, before it will consent to advance either its money or its credit; and where there is an auxiliary capital, (as will be the case in the plan hereafter submitted,) which, together with the capital in coin, define the boundary that shall not be exceeded by the engagements of the bank, the security may, consistently with all the maxims of a reasonable circumspection, be regarded as complete.

The same circumstances illustrate the truth of the position, that it is one of the properties of banks to

increase the active capital of a country. This, in other words, is the sum of them—The money of one individual, while he is waiting for an opportunity to employ it, by being either deposited in the bank for safe-keeping, or invested in its stock, is in a condition to administer to the wants of others, without being put out of his own reach, when occasion presents. This yields an extra profit, arising from what is paid for the use of his money by others, when he could not himself make use of it; and keeps the money itself in a state of incessant activity. In the almost infinite vicissitudes and competitions of mercantile enterprise, there never can be danger of an intermission of demand, or that the money will remain for a moment idle in the vaults of the bank. This additional employment given to money, and the faculty of a bank to lend and circulate a greater sum than the amount of its stock in coin, are to all the purposes of trade and industry, an absolute increase of capital. Purchases and undertakings, in general, can be carried on by any given sum of bank paper or credit, as effectually as by an equal sum of gold and silver. And thus by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth: a consequence, as satisfactorily verified by experience, as it is clearly deducible in theory.

Secondly. Greater facility to the government in obtaining pecuniary aids, especially in sudden emergencies. This is another, and an undisputed advantage of public banks: one, which, as already remarked, has been realized in signal instances among ourselves. The reason is obvious: The capitals of a great number of individuals are, by this operation, collected to a point, and placed under one direction. The mass formed by this union is, in a certain sense,

magnified by the credit attached to it. And while this mass is always ready, and can at once be put in motion, in aid of the government, the interest of the bank to afford that aid, independent of regard to the public safety and welfare, is a sure pledge for its disposition to go as far in its compliances, as can in prudence be desired. There is, in the nature of things, as will be more particularly noticed in another place, an intimate connexion of interest between the government, and the bank, of a nation.

Thirdly. The facilitating of the payment of taxes. This advantage is produced in two ways. Those who are in a situation to have access to the bank, can have the assistance of loans to answer with punctuality the public calls upon them. This accommodation has been sensibly felt in the payment of the duties heretofore laid, by those who reside where establishments of this nature exist. This, however, though an extensive, is not an universal, benefit. The other way in which the effect here contemplated is produced, and in which the benefit is general, is the increasing of the quantity of circulating medium, and the quickening of circulation. The manner in which the first happens has already been traced. The last may require some illustration. When payments are to be made between different places, having an intercourse of business with each other, if there happen to be no private bills at market, and there are no bank notes which have a currency in both, the consequence is, that coin must be remitted. This is attended with trouble, delay, expense, and risk. If, on the contrary, there are bank notes current in both places, the transmission of these by the post, or any other speedy or convenient conveyance, answers the purpose; and these again,

in the alternations of demand, are frequently returned very soon after to the place from whence they were first sent; whence the transportation and retransportation of the metals are obviated; and a more convenient, and more expeditious medium of payment is substituted. Nor is this all—The metals, instead of being suspended from their usual functions, during this process of vibration from place to place, continue in activity, and administer still to the ordinary circulation; which of course is prevented from suffering either diminution or stagnation.

These circumstances are additional causes of what, in a practical sense, or to the purposes of business, may be called greater plenty of money. And it is evident, that whatever enhances the quantity of circulating money, adds to the ease with which every industrious member of the community may acquire that portion of it, of which he stands in need; and enables him the better to pay his taxes, as well as to supply his other wants. Even where the circulation of the bank paper is not general, it must still have the same effect, though in a less degree. For whatever furnishes additional supplies to the channels of circulation, in one quarter, naturally contributes to keep the streams fuller elsewhere. This last view of the subject, serves both to illustrate the position, that banks tend to facilitate the payment of taxes; and to exemplify their utility to business of every kind, in which money is an agent.

It would be to intrude too much on the patience of the House, to prolong the details of the advantages of banks; especially as all those, which might still be particularized, are readily to be inferred as consequences from those which have been enumerated. Their disadvantages, real or supposed, are now to be

reviewed. The most serious of the charges which have been brought against them, are—

That they serve to increase usury:

That they tend to prevent other kinds of lending:

That they furnish temptations to over-trading:

That they afford aid to ignorant adventurers, who disturb the natural and beneficial course of trade:

That they give to bankrupt and fraudulent traders a fictitious credit, which enables them to maintain false appearances, and to extend their impositions: And lastly,

That they have a tendency to banish gold and silver from the country.

There is great reason to believe, that on a close and candid survey, it will be discovered, that these charges are either without foundation, or that as far as the evils they suggest have been found to exist, they have proceeded from other, or partial, or temporary causes; are not inherent in the nature, and permanent tendency, of such institutions; or are more than counterbalanced by opposite advantages. This survey shall be had, in the order in which the charges have been stated. The first of them is—

That banks serve to increase usury.

It is a truth, which ought not to be denied, that the method of conducting business, which is essential to bank operations, has, among us, in particular instances, given occasion to usurious transactions. The punctuality in payments, which they necessarily exact, has sometimes obliged those who have adventured beyond both their capital and *credit*, to procure money, at any price, and consequently to resort to usurers for aid.

But experience and practice gradually bring a cure to this evil. A general habit of punctuality among

traders, is the natural consequence of the necessity of observing it with the bank; a circumstance which itself more than compensates for any occasional ill which may have sprung from that necessity, in the particular under consideration. As far, therefore, as traders depend on each other for pecuniary supplies, they can calculate their expectations with greater certainty; and are in proportionably less danger of disappointments, which might compel them to have recourse to so pernicious an expedient as that of borrowing at usury; the mischiefs of which, after a few examples, naturally inspire great care in all but men of desperate circumstances, to avoid the possibility of being subjected to them. One, and not the least of the evils incident to the use of that expedient, if the fact be known, or even strongly suspected, is loss of credit with the bank itself.

The directors of a bank too, though in order to extend its business and its popularity, in the infancy of an institution, they may be tempted to go further in accommodation, than the strict rules of prudence will warrant, grow more circumspect of course, as its affairs become better established, and as the evils of too great facility are experimentally demonstrated. They become more attentive to the situation and conduct of those with whom they deal; they observe more narrowly their operations and pursuits; they economize the credit they give to those of suspicious solidity; they refuse it to those whose career is more manifestly hazardous: In a word, in the course of practice, from the very nature of things, the *interest*, will make it the *policy*, of a bank, to succour the wary and industrious; to discredit the rash and unthrifty; to discountenance both usurious lenders and usurious borrowers.

There is a leading view, in which the tendency of banks will be seen to be, to abridge rather than to promote, usury. This relates to their property of increasing the quantity and quickening the circulation, of money. If it be evident, that usury will prevail or diminish, according to the proportion which the demand for borrowing, bears to the quantity of money at market to be lent; whatever has the property just mentioned, whether it be in the shape of paper or coin, by contributing to render the supply more equal to the demand, must tend to counteract the progress of usury.

But bank lending, it is pretended, is an impediment to other kinds of lending; which, by confining the resource of borrowing to a particular class, leaves the rest of the community more destitute, and therefore more exposed to the extortions of usurers. As the profits of bank stock exceed the legal rate of interest, the possessors of money, it is argued, prefer investing it in that article, to lending it at this rate; to which there are the additional motives of a more prompt command of the capital, and of more frequent and exact returns, without trouble or perplexity in the collection. This constitutes the second charge which has been enumerated.

The fact on which this charge rests, is not to be admitted without several qualifications; particularly in reference to the state of things in this country, *First*—The great bulk of the stock of a bank will consist of the funds of men in trade, among ourselves, and monied foreigners; the former of whom could not spare their capitals out of their reach, to be invested in loans for long periods, on mortgages, or personal security; and the latter of whom would not be willing to be subjected to the casualties, delays

and embarrassments of such a disposition of their money in a distant country. *Secondly*—There will always be a considerable proportion of those who are properly the money lenders of a country, who, from that spirit of caution which usually characterizes this description of men, will incline rather to vest their funds in mortgages on real estate, than in the stock of a bank, which they are apt to consider as a more precarious security.

These considerations serve in a material degree to narrow the foundation of the objection, as to the point of fact. But there is a more satisfactory answer to it. The effect supposed, as far as it has existence, is temporary. The reverse of it takes place in the general, and permanent operation of the thing.

The capital of every public bank will of course be restricted within a certain defined limit. It is the province of legislative prudence so to adjust this limit, that while it will not be too contracted for the demand, which the course of business may create, and for the security which the public ought to have for the solidity of the paper which may be issued by the bank, it will still be within the compass of the pecuniary resources of the community; so that there may be an easy practicability of completing the subscriptions to it. When this is once done, the supposed effect of necessity ceases. There is then no longer room for the investment of any additional capital. Stock may indeed change hands by one person selling and another buying; but the money which the buyer takes out of the common mass to purchase the stock, the seller receives and restores to it. Hence the future surpluses which may accumulate,

must take their natural course, and lending at interest must go on as if there were no such institution.

It must indeed flow in a more copious stream. The bank furnishes an extraordinary supply for borrowers, within its immediate sphere. A larger supply consequently remains for borrowers elsewhere. In proportion as the circulation of the bank is extended, there is an augmentation of the aggregate mass of money for answering the aggregate mass of demand. Hence greater facility in obtaining it for every purpose.

It ought not to escape without a remark, that as far as the citizens of other countries become adventurers in the bank, there is a positive increase of the gold and silver of the country. It is true, that from this a half yearly rent is drawn back, accruing from the dividends upon the stock. But as this rent arises from the employment of the capital, by our own citizens, it is probable, that it is more than replaced by the profits of that employment. It is also likely, that a part of it is, in the course of trade, converted into the products of our country: and it may even prove an incentive, in some cases, to emigration to a country in which the character of citizen is as easy to be acquired, as it is estimable and important. This view of the subject furnishes an answer to an objection which has been deduced from the circumstance here taken notice of; namely, the income resulting to foreigners from the part of the stock owned by them, which has been represented as tending to drain the country of its specie. In this objection, the original investment of the capital, and the constant use of it afterwards, seem both to have been overlooked.

That banks furnish temptations to over-trading, is the third of the enumerated objections. This

must mean, that by affording additional aid to mercantile enterprise, they induce the merchant sometimes to adventure beyond the prudent or salutary point. But the very statement of the thing shows, that the subject of the charge is an occasional ill, incident to a general good. Credit of every kind, (as a species of which only can bank lending have the effect supposed,) must be, in different degrees, chargeable with the same inconvenience. It is even applicable to gold and silver, when they abound in circulation. But would it be wise on this account to decry the precious metals, to root out credit; or to prescribe the means of that enterprise, which is the main spring of trade, and a principal source of national wealth, because it now and then runs into excesses, of which over-trading is one?

If the abuses of a beneficial thing are to determine its condemnation, there is scarcely a source of public prosperity which will not speedily be closed. In every case, the evil is to be compared with the good; and in the present case, such a comparison will issue in this, that the new and increased energies derived to commercial enterprise, from the aid of banks, are a source of general profit and advantage; which greatly outweigh the partial ills of the over-trading of a few individuals, at particular times, or of numbers in particular conjunctures.

The fourth and fifth charges may be considered together. These relate to the aid which is sometimes afforded by banks to unskilful adventurers and fraudulent traders. These charges also have some degree of foundation; though far less than has been pretended, and they add to the instances of partial ills, connected with more extensive and overbalancing benefits.

The practice of giving fictitious credit to improper persons, is one of those evils which experience, guided by interest, speedily corrects. The bank itself is in so much jeopardy of being a sufferer by it, that it has the strongest of all inducements to be on its guard. It may not only be injured immediately by the delinquencies of the persons, to whom such credit is given; but eventually, by the incapacities of others, whom their impositions or failures may have ruined.

Nor is there much danger of a bank's being betrayed into this error from want of information: The directors themselves being for the most part selected from the class of traders, are to be expected to possess individually, an accurate knowledge of the characters and situations of those who come within that description. And they have, in addition to this, the course of dealing of the persons themselves with the bank, to assist their judgment, which is in most cases a good index of the state in which those persons are. The artifices and shifts, which those in desperate or declining circumstances, are obliged to employ to keep up the countenance which the rules of the bank require, and the train of their connexions, are so many prognostics, not difficult to be interpreted, of the fate which awaits them. Hence it not unfrequently happens, that banks are the first to discover the unsoundness of such characters, and by withholding credit, to announce to the public that they are not entitled to it.

If banks, in spite of every precaution, are sometimes betrayed into giving a false credit to the persons described; they more frequently enable honest and industrious men, of small, or perhaps of no capital,

to undertake and prosecute business, with advantage to themselves and to the community; and assist merchants of both capital and credit, who meet with fortuitous and unforeseen shocks, which might, without such helps, prove fatal to them and to others, to make head against their misfortunes, and finally to retrieve their affairs; circumstances which form no inconsiderable encomium on the utility of banks.

But the last, and heaviest charge, is still to be examined: This is, that banks tend to banish the gold and silver out of the country.

The force of this objection rests upon their being an engine of paper credit, which by furnishing a substitute for the metals, is supposed to promote their exportation. It is an objection, which, if it has any foundation, lies not against banks peculiarly, but against every species of paper credit.

The most common answer given to it is, that the thing supposed is of little or no consequence; that it is immaterial what serves the purpose of money; whether paper, or gold and silver; that the effect of both upon industry is the same; and that the intrinsic wealth of a nation is to be measured, not by the abundance of the precious metals contained in it, but by the quantity of the productions of its labour and industry.

This answer is not destitute of solidity, though not entirely satisfactory. It is certain, that the vivification of industry, by a full circulation, with the aid of a proper and well regulated paper credit, may more than compensate for the loss of a part of the gold and silver of a nation; if the consequence of avoiding that loss, should be a scanty or defective circulation.

But the positive and permanent increase or decrease of the precious metals in a country, can hardly

ever be a matter of indifference. As the commodity taken in lieu of every other, it is a species of the most effective wealth, and as the money of the world, it is of great concern to the state, that it possess a sufficiency of it to face any demands which the protection of its external interests may create.

The objection seems to admit of another and a more conclusive answer, which controverts the fact itself. A nation, that has no mines of its own, must derive the precious metals from others; generally speaking, in exchange for the products of its labour and industry. The quantity it will possess, will therefore, in the ordinary course of things, be regulated by the favourable or unfavourable balance of its trade; that is, by the proportion between its abilities to supply foreigners, and its wants of them; between the amount of its exportations and that of its importations. Hence the state of its agriculture and manufactures, the quantity and quality of its labour and industry, must, in the main, influence and determine the increase or decrease of its gold and silver.

If this be true, the inference seems to be, that well constituted banks favour the increase of the precious metals. It has been shown, that they augment in different ways, the active capital of a country. This it is which generates employment; which animates and expands labour and industry. Every addition which is made to it, by contributing to put in motion a greater quantity of both, tends to create a greater quantity of the products of both. And by furnishing more materials for exportation, conduces to a favourable balance of trade, and consequently to the introduction and increase of gold and silver.

This conclusion appears to be drawn from solid premises. There are, however, objections to be made to it.

It may be said, that as bank paper affords a substitute for specie, it serves to counteract that rigorous necessity for the metals as a medium of circulation, which, in the case of a wrong balance, might restrain, in some degree, their exportation; and it may be added, that from the same cause, in the same case, it would retard those economical and parsimonious reforms in the manner of living, which the scarcity of money is calculated to produce, and which might be necessary to rectify such wrong balance.

There is, perhaps, some truth in both these observations; but they appear to be of a nature rather to form exceptions to the generality of the conclusion, than to overthrow it. The state of things, in which the *absolute exigencies* of circulation can be supposed to resist with any effect the urgent demands for specie which a wrong balance of trade may occasion, presents an *extreme case*. And a situation in which a too expensive manner of living of a community, compared with its means, can stand in need of a corrective, from distress or necessity, is one which perhaps rarely results, but from extraordinary and adventitious causes: such, for example, as a national revolution, which unsettles all the established habits of a people, and inflames the appetite for extravagance, by the illusions of an ideal wealth, engendered by the continual multiplication of a depreciating currency, or some similar cause. There is good reason to believe, that where the laws are wise and well executed, and the inviolability of property and contracts maintained, the economy of a peo-

ple will, in the general course of things, correspond with its means.

The support of industry, is probably in every case, of more consequence towards correcting a wrong balance of trade, than any practicable retrenchments in the expenses of families or individuals; and the stagnation of it, would belikely to have more effect in prolonging, than any such savings in shortening its continuance. That stagnation, is a natural consequence of an inadequate medium, which, without the aid of bank circulation, would, in the cases supposed, be severely felt.

It also deserves notice, that as the circulation of a bank is always in a compound ratio to the fund upon which it depends, and to the demand for it; and as that fund is itself affected by the exportation of the metals, there is no danger of its being overstocked, as in the case of paper issued at the pleasure of the government; or of its preventing the consequences of any unfavourable balance from being sufficiently felt to produce the reforms alluded to, as far as circumstances may require and admit.

Nothing can be more fallible than the comparisons which have been made between different countries, to illustrate the truth of the position under consideration. The comparative quantity of gold and silver, in different countries, depends upon an infinite variety of facts and combinations, all of which ought to be known, in order to judge whether the existence or non-existence of paper currencies has any share in the relative proportions they contain. The *mass* and *value* of the productions of the labour and industry of each, compared with its wants; the nature of its establishments abroad; the kind of wars in which it

is usually engaged; the relations it bears to the countries which are the original possessors of those metals; the privileges it enjoys in their trade; these, and a number of other circumstances, are all to be taken into the account, and render the investigation too complex to justify any reliance on the vague and general surmises which have been hitherto hazarded on the point.

In the foregoing discussion, the objection has been considered as applying to the permanent expulsion and diminution of the metals. Their temporary exportation, for particular purposes, has not been contemplated. This, it must be confessed, is facilitated by banks, from the faculty banks possess of supplying their place. But their utility is in nothing more conspicuous, than in these very cases. They enable the government to pay its foreign debts, and to answer any exigencies which the external concerns of the community may have produced. They enable the merchant to support his credit, (on which the prosperity of trade depends,) when special circumstances prevent remittances in other modes. They enable him also to prosecute enterprises, which ultimately tend to an augmentation of the species of wealth in question. It is evident, that gold and silver may often be employed in procuring commodities abroad; which, in a circuitous commerce, replace the original fund, with considerable addition. But it is not to be inferred from this facility given to temporary exportation, that banks, which are so friendly to trade and industry, are in their general tendency inimical to the increase of the precious metals.

These several views of the subject appear sufficient to impress a full conviction of the utility of

banks, and to demonstrate that they are of great importance, not only in relation to the administration of the finances, but in the general system of the political economy.

The judgment of many concerning them has, no doubt, been perplexed by the misinterpretation of appearances, which were to be ascribed to other causes. The general devastation of personal property, occasioned by the late war, naturally produced on the one hand, a great demand for money; and on the other, a great deficiency of it to answer the demand. Some injudicious laws, which grew out of the public distresses, by impairing confidence and causing a part of the inadequate sum in the country to be locked up, aggravated the evil: The dissipated habits, contracted by many individuals during the war, which after the peace plunged them into expences beyond their incomes; the number of adventurers without capital, and in many instances without information, who at that epoch rushed into trade, and were obliged to make any sacrifices to support a transient credit; the employment of considerable sums in speculations upon the public debt, which from its unsettled state was incapable of becoming itself a substitute: all these circumstances concurring, necessarily led to usurious borrowing, produced most of the inconveniences, and were the true cause of most of the appearances, which, where banks were established, have been by some erroneously placed to their account: a mistake which they might easily have avoided, by turning their eyes towards places where there were none, and where, nevertheless, the same evils would have been perceived to exist, even in a greater degree than where those institutions had obtained.

These evils have either ceased, or been greatly mitigated. Their more complete extinction may be looked for from that additional security to property, which the Constitution of the United States happily gives, (a circumstance of prodigious moment in the scale both of public and private prosperity,) from the attraction of foreign capital, under the auspices of that security, to be employed upon objects, and in enterprises, for which the state of this country opens a wide and inviting field, from the consistency and stability which the public debt is fast acquiring, as well in the public opinion at home and abroad, as in fact; from the augmentation of capital, which that circumstance and the quarter yearly payment of interest will afford; and from the more copious circulation, which will be likely to be created by a well-constituted national bank.

The establishment of banks in this country seems to be recommended by reasons of a peculiar nature. Previously to the revolution, circulation was in a great measure carried on by paper emitted by the several local governments. In Pennsylvania alone, the quantity of it was near a million and a half of dollars. This auxiliary may be said to be now at an end. And it is generally supposed, that there has been for some time past, a deficiency of circulating medium. How far that deficiency is to be considered as real or imaginary, is not susceptible of demonstration; but there are circumstances and appearances, which, in relation to the country at large, countenance the supposition of its reality.

The circumstances are, besides the fact just mentioned respecting paper emissions, the vast tracts of waste land, and the little advanced state of manufactures. The progressive settlement of the former,

while it promises ample retribution, in the generation of future resources, diminishes or obstructs, in the mean time, the *active* wealth of the country. It not only draws off a part of the circulating money, and places it in a more passive state, but it diverts into its own channels a portion of that species of labour and industry, which would otherwise be employed in furnishing materials for foreign trade, and which, by contributing to a favourable balance, would assist the introduction of specie. In the early periods of new settlements, the settlers not only furnish no surplus for exportation, but they consume a part of that which is produced by the labour of others. The same thing is a cause, that manufactures do not advance, or advance slowly. And notwithstanding some hypotheses to the contrary, there are many things to induce a suspicion, that the precious metals will not abound in any country which has not mines, or variety of manufactures. They have been sometimes acquired by the sword; but the modern system of war has expelled this resource; and it is one upon which it is to be hoped the United States will never be inclined to rely.

The appearances alluded to, are, greater prevalency of direct barter, in the more interior districts of the country, which, however, has been for some time past gradually lessening; and greater difficulty generally in the advantageous alienation of improved real estate, which also has of late diminished, but is still seriously felt in different parts of the Union. The difficulty of getting money, which has been a general complaint, is not added to the number; because it is the complaint of all times, and one in which imagination must ever have too great scope to permit an appeal to it.

If the supposition of such a deficiency be in any degree founded, and some aid to circulation be desirable, it remains to inquire what ought to be the nature of that aid.

The emitting of paper money by the authority of government, is wisely prohibited to the individual states, by the national constitution; and the spirit of that prohibition ought not be disregarded by the government of the United States. Though paper emissions, under a general authority, might have some advantages not applicable, and be free from some disadvantages which are applicable, to the like emissions by the states separately; yet they are of a nature so liable to abuse, and it may even be affirmed, so certain of being abused, that the wisdom of the government will be shown in never trusting itself with the use of so seducing and dangerous an expedient. In times of tranquillity, it might have no ill consequence, it might even perhaps be managed in a way to be productive of good; but in great and trying emergencies, there is almost a moral certainty of its becoming mischievous. The stamping of paper is an operation so much easier than the laying of taxes, that a government, in the practice of paper emissions, would rarely fail in any such emergency, to indulge itself too far in the employment of that resource, to avoid, as much as possible, one less auspicious to present popularity. If it should not even be carried so far as to be rendered an absolute bubble, it would at least be likely to be extended to a degree which would occasion an inflated and artificial state of things, incompatible with the regular and prosperous course of the political economy.

Among other material differences between a paper currency, issued by the mere authority of go-

vernment, and one issued by a bank, payable in coin, is this: that in the first case, there is no standard to which an appeal can be made, as to the quantity which will only satisfy, or which will surcharge the circulation; in the last, that standard results from the demand. If more should be issued than is necessary, it will return upon the bank. Its emissions, as elsewhere intimated, must always be in a compound ratio to the fund and the demand:—Whence it is evident, that there is a limitation in the nature of the thing; while the discretion of the government is the only measure of the extent of the emissions, by its own authority.

This consideration further illustrates the danger of emissions of that sort, and the preference which is due to bank paper.

The payment of the interest of the public debt, at thirteen different places, is a weighty reason, peculiar to our immediate situation, for desiring a bank circulation. Without a paper, in general currency, equivalent to gold and silver, a considerable proportion of the specie of the country must always be suspended from circulation, and left to accumulate, preparatorily to each day of payment; and as often as one approaches, there must in several cases be an actual transportation of the metals at both expense and risk, from their natural and proper reservoirs, to distant places. This necessity will be felt very injuriously to the trade of some of the states; and will embarrass not a little the operations of the treasury in those states. It will also obstruct those negociations, between different parts of the Union, by the instrumentality of treasury bills, which have already afforded valuable accommodations to trade in general.

Assuming it then as a consequence, from what has been said, that a national bank is a desirable institution, two inquiries emerge—Is there no such institution, already in being, which has a claim to that character, and which supersedes the propriety or necessity of another? If there be none, what are the principles upon which one ought to be established?

There are at present three banks in the United States: that of North-America, established in the city of Philadelphia; that of New-York, established in the city of New-York; that of Massachusetts, established in the town of Boston. Of these three, the first is the only one which has at any time had a direct relation to the government of the United States.

The bank of North-America originated in a resolution of Congress of the 26th of May, 1781, founded upon a proposition of the superintendant of finance, which was afterwards carried into execution by an ordinance of the 31st of December following, entitled, "An ordinance to incorporate the Subscribers to the Bank of North-America."

The aid afforded to the United States by this institution, during the remaining period of the war, was of essential consequence; and its conduct towards them since the peace, has not weakened its title to their patronage and favour. So far its pretensions to the character in question are respectable; but there are circumstances which militate against them; and considerations which indicate the propriety of an establishment on different principles.

The directors of this bank, on behalf of their constituents, have since *accepted* and *acted* under a new charter from the state of Pennsylvania, materially variant from their original one; and which so narrows the foundation of the institution, as to render

it an incompetent basis for the extensive purposes of a national bank.

The limit assigned by the ordinance of Congress to the stock of the bank, is ten millions of dollars. The last charter of Pennsylvania confines it to two millions. Questions naturally arise, whether there be not a direct repugnancy between two charters so differently circumstanced; and whether the acceptance of the one, is not to be deemed a virtual surrender of the other. But perhaps it is neither adviseable nor necessary to attempt a solution of them.

There is nothing in the acts of Congress, which imply an exclusive right in the institution to which they relate, except during the term of the war. There is therefore nothing, if the public good require it, which prevents the establishment of another. It may however be incidentally remarked, that in the general opinion of the citizens of the United States, the bank of North-America has taken the station of a bank of Pennsylvania only. This is a strong argument for a new institution, or for a renovation of the old, to restore it to the situation in which it originally stood, in the view of the United States.

But though the ordinance of Congress contains no grant of exclusive privileges, there may be room to allege, that the government of the United States ought not, in point of candour and equity, to establish any rival or interfering institution, in prejudice of the one already established; especially as this has, from services rendered, well-founded claims to protection and regard.

The justice of such an observation ought, within proper bounds, to be admitted. A new establishment of the sort ought not to be made, without cogent and sincere reasons of public good. And in the

manner of doing it, every facility should be given to a consolidation of the old with the new, upon terms not injurious to the parties concerned. But there is no ground to maintain, that in a case in which the government has made no condition restricting its authority, it ought voluntarily to restrict it, through regard to the interests of a particular institution, when those of the state dictate a different course; especially too after such circumstances have intervened, as characterize the actual situation of the bank of North-America.

The inducements to a new disposition of the thing are now to be considered. The first of them which occurs is, the at least ambiguous situation in which the bank of North-America has placed itself, by the acceptance of its last charter. If this has rendered it the mere bank of a particular state, liable to dissolution at the expiration of fourteen years, to which term the act of that state has restricted its duration, it would be neither fit, nor expedient, to accept it as an equivalent for a bank of the United States.

The restriction of its capital, also, which, according to the same supposition, cannot be extended beyond two millions of dollars, is a conclusive reason for a different establishment. So small a capital promises neither the requisite aid to government, nor the requisite security to the community. It may answer very well the purposes of local accommodation, but is an inadequate foundation for a circulation co-extensive with the United States; embracing the whole of their revenues, and affecting every individual into whose hands the paper may come.

And inadequate as such a capital would be to the essential ends of a national bank, it is liable to be rendered still more so, by that principle of the con-

stitution of the bank of North-America, contained equally in its old and in its new charter, which leaves the increase of the *actual* capital at any time, (now far short of the allowed extent,) to the discretion of the directors or stockholders. It is naturally to be expected, that the allurements of an advanced price of stock, and of large dividends, may disincline those who are interested, to an extension of capital; from which they will be apt to fear a diminution of profits. And from this circumstance, the interest and accommodation of the public, (as well individually as collectively,) are made more subordinate to the interest, real or imagined, of the stockholders, than they ought to be. It is true, that unless the latter be consulted, there can be no bank, (in the sense at least in which institutions of this kind, worthy of confidence, can be established in this country.) But it does not follow, that this is alone to be consulted, or that it even ought to be paramount. Public utility is more truly the object of public banks, than private profit. And it is the business of government, to constitute them on such principles, that while the latter will result, in a sufficient degree, to afford competent motives to engage in them, the former be not made subservient to it. To effect this, a principal object of attention ought to be to give free scope to the creation of an ample capital; and with this view, fixing the bounds, which are deemed safe and convenient, to leave no discretion either to stop short of them or to overpass them. The want of this precaution, in the establishment of the bank of North-America, is a further and an important reason, for desiring one differently constituted.

There may be room at first sight, for a supposition

that as the profits of a bank will bear a proportion to the extent of its operations; and as, for this reason, the interest of the stockholders will not be disadvantageously affected by any necessary augmentations of capital; there is no cause to apprehend that they will be indisposed to such augmentations. But most men in matters of this nature, prefer the certainties they enjoy, to probabilities depending on untried experiments; especially when these promise rather, that they will not be injured, than that they will be benefitted.

From the influence of this principle, and a desire of enhancing its profits, the directors of a bank will be more apt to overstrain its faculties, in an attempt to face the additional demands which the course of business may create, than to set on foot new subscriptions, which may hazard a diminution of the profits, and even a temporary reduction of the price of stock.

Banks are among the best expedients for lowering the rate of interest in a country; but to have this effect, their capitals must be completely equal to all the demands of business, and such as will tend to remove the idea, that the accommodations they afford, are in any degree favours; an idea very apt to accompany the parsimonious dispensation of contracted funds. In this, as in every other case, the plenty of the commodity ought to beget a moderation of the price.

The want of a principle of rotation, in the constitution of the bank of North-America, is another argument for a variation of the establishment. Scarcely one of the reasons which militate against this principle in the constitution of a country is applicable to that of a bank; while there are strong reasons in favour of it, in relation to the one, which do not apply to the

other. The knowledge to be derived from experience, is the only circumstance common to both, which pleads against rotation in the directing officers of a bank.

But the objects of the government of a nation, and those of the government of a bank, are so widely different, as greatly to weaken the force of that consideration, in reference to the latter. Almost every important case of legislation requires, towards a right decision, a general and accurate acquaintance with the affairs of the state; and habits of thinking seldom acquired but from a familiarity with public concerns. The administration of a bank, on the contrary, is regulated by a few simple fixed maxims, the application of which is not difficult to any man of judgment, especially if instructed in the principles of trade. It is in general a constant succession of the same details.

But though this be the case, the idea of the advantages of experience is not to be slighted. Room ought to be left for the regular transmission of official information; and for this purpose, the head of the direction ought to be excepted from the principle of rotation. With this exception, and with the aid of the information of the subordinate officers, there can be no danger of any ill effects from want of experience, or knowledge; especially as the periodical exclusion ought not to reach the whole of the directors at one time.

The argument in favour of the principle of rotation is this, that by lessening the danger of combinations among the directors, to make the institution subservient to party views, or to the accommodation, preferably, of any particular set of men, it will render the public confidence more firm, stable, and unqualified.

When it is considered, that the directors of a bank are not elected by the great body of the community, in which a diversity of views will naturally prevail, at different conjunctures, but by a small and select class of men, among whom it is far more easy to cultivate a steady adherence to the same persons and objects; and that those directors have it in their power so immediately to conciliate, by obliging the most influential of this class, it is easy to perceive, that without the principle of rotation, changes in that body can rarely happen, but as a concession which they may themselves think it expedient to make to public opinion.

The continual administration of an institution of this kind, by the same persons, will never fail, with or without cause, from their conduct, to excite distrust and discontent. The necessary secrecy of their transactions, gives unlimited scope to imagination to infer that something is, or may be, wrong. And this *inevitable* mystery is a solid reason for inserting in the constitution of a bank the necessity of a change of men. As neither the mass of the parties interested, nor the public in general, can be permitted to be witnesses of the interior management of the directors, it is reasonable that both should have that check upon their conduct, and that security against the prevalency of a partial or pernicious system, which will be produced by the certainty of periodical changes. Such too is the delicacy of the credit of a bank, that every thing which can fortify confidence and repel suspicion, without injuring its operations, ought carefully to be sought after in its formation.

A further consideration in favour of a change, is the improper rule, by which the right of voting for

directors is regulated in the plan upon which the bank of North-America was originally constituted; namely, a vote for each share, and the want of a rule in the last charter; unless the silence of it on that point, may signify that every stockholder is to have an equal and a single vote, which would be a rule in a different extreme, not less erroneous. It is of importance that a rule should be established on this head, as it is one of those things which ought not to be left to discretion; and it is consequently of equal importance, that the rule should be a proper one.

A vote for each share, renders a combination between a few principal stockholders, to monopolize the power and benefits of the bank, too easy. An equal vote to each stockholder, however great or small his interest in the institution, allows not that degree of weight to large stockholders, which it is reasonable they should have, and which perhaps their security, and that of the bank, require. A prudent mean is to be preferred. A conviction of this, has produced a by-law of the corporation of the bank of North-America, which evidently aims at such a mean. But a reflection arises here, that a like majority with that which enacted this law, may at any moment repeal it.

The last inducement which shall be mentioned, is the want of precautions to guard against a foreign influence insinuating itself into the direction of the bank. It seems scarcely reconcileable with a due caution, to permit, that any but citizens should be eligible, as directors of a national bank, or that non-resident foreigners should be able to influence the appointment of directors, by the votes of their proxies. In the event, however, of an incorporation of

the bank of North-America, in the plan, it may be necessary to qualify this principle, so as to leave the right of foreigners, who now hold shares of its stock, unimpaired, but without the power of transmitting the privilege in question, to foreign alienees.

It is to be considered, that such a bank is not a mere matter of private property, but a political machine of the greatest importance to the state.

There are other variations from the constitution of the bank of North America, not of inconsiderable moment, which appear desirable, but which are not of magnitude enough to claim a preliminary discussion. These will be seen in the plan which will be submitted in the sequel.

If the objections which have been stated, to the constitution of the bank of North-America, are admitted to be well founded, they will nevertheless not derogate from the merit of the main design, or of the services which that bank has rendered, or of the benefits which it has produced. The creation of such an institution, at the time it took place, was a measure dictated by wisdom. Its utility has been amply evinced by its fruits—American independence owes much to it.—And it is very conceivable, that reasons of the moment, may have rendered those features in it inexpedient, which a revision with a permanent view, suggests as desirable.

The order of the subject, leads next to an inquiry into the principles upon which a national bank ought to be organized.

The situation of the United States naturally inspires a wish, that the form of the institution could admit of a plurality of branches. But various considerations discourage from pursuing this idea. The

complexity of such a plan would be apt to inspire doubts, which might deter from adventuring in it. And the practicability of a safe and orderly administration, though not to be abandoned as desperate, cannot be made so manifest in perspective, as to promise the removal of those doubts, or to justify the government in adopting the idea as an original experiment. The most that would seem adviseable, on this point, is to insert a provision, which may lead to it hereafter; if experience shall more clearly demonstrate its utility, and satisfy those who may have the direction, that it may be adopted with safety. It is certain, that it would have some advantages, both peculiar and important. Besides more general accommodation, it would lessen the danger of a run upon the bank.

The argument against it is, that each branch must be under a distinct, though subordinate direction, to which a considerable latitude of discretion must of necessity be intrusted. And as the property of the whole institution would be liable for the engagements of each part; that, and its credit, would be at stake upon the prudence of the directors of every part. The mismanagement of either branch might hazard serious disorder in the whole.

Another wish, dictated by the particular situation of the country, is, that the bank could be so constituted as to be made an immediate instrument of loans to the proprietors of land; but this wish also yields to the difficulty of accomplishing it. Land is alone an unfit fund for a bank circulation. If the notes issued upon it were not to be payable in coin, on demand, or at a short date, this would amount to nothing more than a repetition of the paper emissions, which are now exploded by the general voice.

If the notes are to be payable in coin, the land must first be converted into it, by sale or mortgage. The difficulty of effecting the latter, is the very thing which begets the desire of finding another resource; and the former would not be practicable on a sudden emergency, but with sacrifices which would make the cure worse than the disease. Neither is the idea of constituting the fund partly of coin and partly of land, free from impediments. These two species of property do not, for the most part, unite in the same hands. Will the monied man consent to enter into a partnership with the landholder, by which *the latter* will share in the profits *which will be* made *by the money of the former?* The money, it is evident, will be the agent or efficient cause of the profits—the land can only be regarded as an additional security. It is not difficult to foresee, that an union, on such terms, will not readily be formed. If the landholders are to procure the money by sale or mortgage of a part of their lands, this they can as well do, when the stock consists wholly of money, as if it were to be compounded of money and land.

To procure for the landholders the assistance of loans, is the great desideratum. Supposing other difficulties surmounted, and a fund created, composed partly of coin and partly of land, yet the benefit contemplated could only then be obtained, by the bank's advancing them its notes for the whole, or part of the value of the lands they had subscribed to the stock. If this advance was small, the relief aimed at would not be given; if it was large, the quantity of notes issued would be a cause of *distrust*, and, if received at all, they would be likely to return speedily upon the bank for payment; which, after exhausting its coin, might be under the neces-

sity of turning its lands into money, at any price that could be obtained for them, to the irreparable prejudice of the proprietors.

Considerations of public advantage suggest a further wish, which is, that the bank could be established upon principles that would cause the profits of it to redound to the immediate benefit of the state. This is contemplated by many who speak of a national bank, but the idea seems liable to insuperable objections. To attach full confidence to an institution of this nature, it appears to be an essential ingredient in its structure, that it shall be under a *private*, not a *public* direction, under the guidance of *individual interest*, not of *public policy;* which would be supposed to be, and in certain emergencies, under a feeble or too sanguine administration, would really be, liable to being too much influenced by *public necessity*. The suspicion of this would most probably be a canker that would continually corrode the vitals of the credit of the bank, and would be most likely to prove fatal in those situations in which the public good would require that they should be most sound and vigorous. It would, indeed, be little less than a miracle, should the credit of the bank be at the disposal of the government, if in a long series of time, there was not experienced a calamitous abuse of it. It is true, that it would be the real interest of the government not to abuse it; its genuine policy to husband and cherish it with the most guarded circumspection, as an inestimable treasure. But what government ever uniformly consulted its true interests, in opposition to the temptations of momentary exigencies? What nation was ever blessed with a constant succession of upright and wise administrators?

The keen, steady, and, as it were, magnetic sense of their own interest as proprietors, in the directors of a bank, pointing invariable to its true pole, the prosperity of the institution, is the only security that can always be relied upon for a careful and prudent administration. It is, therefore, the only basis on which an enlightened, unqualified, and permanent confidence can be expected to be erected and maintained.

The precedents of the banks established in several cities of Europe; Amsterdam, Hamburgh, and others; may seem to militate against this position. Without a precise knowledge of all the peculiarities of their respective constitutions, it is difficult to pronounce how far this may be the case. That of Amsterdam, however, which we best know, is rather under a municipal than a governmental direction. Particular magistrates of the city, not officers of the republic, have the management of it. It is also a bank of deposit, not of loan, or circulation; consequently, less liable to abuse, as well as less useful. Its general business consists in receiving money for safe keeping, which, if not called for within a certain time, becomes a part of its stock, and irreclaimable: But a credit is given for it on the books of the bank, which being transferable, answers all the purposes of money.

The directors being magistrates of the city, and the stockholders, in general, its most influential citizens, it is evident, that the principle of private interest must be prevalent in the management of the bank. And it is equally evident, that from the nature of its operations, that principle is less essential to it, than to an institution constituted with a view

to the accommodation of the public and individuals, by direct loans and a paper circulation.

As far as may concern the aid of the bank, within the proper limits, a good government has nothing more to wish for, than it will always possess; though the management be in the hands of private individuals. As the institution, if rightly constituted, must depend for its renovation from time to time on the pleasure of the government, it will not be likely to feel a disposition to render itself by its conduct unworthy of public patronage. The government, too, in the administration of its finances, has it in its power to reciprocate benefits to the bank, of not less importance than those which the bank affords to the government, and which, besides, are never unattended with an immediate and adequate compensation. Independent of these more particular considerations, the natural weight and influence of a good government will always go far towards procuring a compliance with its desires; and as the directors will usually be composed of some of the most discreet, respectable, and well-informed citizens, it can hardly ever be difficult to make them sensible of the force of the inducements which ought to stimulate their exertions.

It will not follow, from what has been said, that the state may not be the holder of a part of the stock of a bank, and consequently a sharer in the profits of it. It will only follow, that it ought not to desire any participation in the direction of it, and therefore, ought not to own the whole or a principal part of the stock; for if the mass of the property should belong to the public, and if the direction of it should be in private hands, this would be to commit the interests of the state to persons not interest-

ed, or not enough interested, in their proper management.

There is one thing, however, which the government owes to itself and to the community; at least to all that part of it, who are not stockholders; which is to reserve to itself a right of ascertaining, as often as may be necessary, the state of the bank, excluding, however, all pretension to control. This right forms an article in the primitive constitution of the bank of North-America; and its propriety stands upon the clearest reasons. If the paper of a bank is to be permitted to insinuate itself into all the revenues and receipts of a country; if it is even to be tolerated as the substitute for gold and silver in all the transactions of business, it becomes, in either view, a national concern of the first magnitude. As such, the ordinary rules of prudence require, that the government should possess the means of ascertaining, whenever it thinks fit, that so delicate a trust is executed with fidelity and care. A right of this nature is not only desirable as it respects the government; but it ought to be equally so to all those concerned in the institution; as an additional title to public and private confidence; and as a thing which can only be formidable to practices that imply mismanagement. The presumption must always be, that the characters who would be intrusted with the exercise of this right on behalf of the government, will not be deficient in the discretion which it may require; at least the admitting of this presumption, cannot be deemed too great a return of confidence, for that very large portion of it which the government is required to place in the bank.

Abandoning, therefore, ideas which, however agreeable or desirable, are neither practicable nor safe; the following plan for the constitution of a National Bank, is respectfully submitted to the consideration of the house.

I. The capital stock of the bank shall not exceed ten millions of dollars, divided into twenty-five thousand shares, each share being four hundred dollars; to raise which sum, subscriptions shall be opened on the first Monday of April next, and shall continue open until the whole shall be subscribed. Bodies politic, as well as individuals, may subscribe.

II. The amount of each share shall be payable, one fourth in gold and silver coin, and three fourths in that part of the public debt, which, according to the loan proposed by the act making provision for the debt of the United States, shall bear an accruing interest at the time of payment of six per centum per annum.

III. The respective sums subscribed shall be payable in four equal parts, as well specie as debt, in succession, and at the distance of six calendar months from each other; the first payment to be made at the time of subscription. If there shall be a failure in any subsequent payment, the party failing shall lose the benefit of any dividend which may have accrued prior to the time for making such payment, and during the delay of the same.

IV. The subscribers to the bank and their successors shall be incorporated, and shall so continue, until the final redemption of that part of its stock which shall consist of the public debt.

V. The capacity of the corporation to hold real and personal estate, shall be limited to fifteen millions of dollars, including the amount of its capital or

original stock. The lands and tenements which it shall be permitted to hold, shall be only such as shall be requisite for the immediate accommodation of the institution; and such as shall have been bona fide mortgaged to it by way of security, or conveyed to it in satisfaction of debts previously contracted, in the usual course of its dealings, or purchased at sales upon judgments which shall have been obtained for such debts.

VI. The totality of the debts of the company, whether by bond, bill, note, or other contract, (credits for deposits excepted,) shall never exceed the amount of its capital stock. In case of excess, the directors, under whose administration it shall happen, shall be liable for it in their private or separate capacities. Those who may have dissented, may excuse themselves from this responsibility, by immediately giving notice of the fact and their dissent, to the President of the United States, and to the stockholders, at a general meeting to be called by the president of the bank, at their request.

VII. The company may sell or demise its lands and tenements, or may sell the whole or any part of the public debt, whereof its stock shall consist; but shall *trade* in nothing, except bills of exchange, gold and silver bullion, or in the sale of goods pledged for money lent: nor shall take more than at the rate of six per centum per annum, upon its loans or discounts.

VIII. No loan shall be made by the bank, for the use or on account of the government of the United States, or of either of them, to an amount exceeding fifty thousand dollars, or of any foreign prince or state; unless previously authorized by a law of the United States.

IX. The stock of the bank shall be transferable according to such rules as shall be instituted by the company in that behalf.

X. The affairs of the bank shall be under the management of twenty-five directors, one of whom shall be the president. And there shall be on the first Monday of January, in each year, a choice of directors, by a plurality of suffrages of the stockholders, to serve for a year. The directors, at their first meeting after each election, shall choose one of their number as president.

XI. The number of votes to which each stockholder shall be entitled, shall be according to the number of shares he shall hold, in the proportions following:—that is to say, For one share, and not more than two shares, one vote: For every two shares, above two, and not exceeding ten, one vote: For every four shares, above ten, and not exceeding thirty, one vote: For every six shares, above thirty, and not exceeding sixty, one vote: For every eight shares, above sixty, and not exceeding one hundred, one vote; and for every ten shares, above one hundred, one vote: But no person, co-partnership, or body politic, shall be entitled to a greater number than thirty votes. And after the first election, no share or shares shall confer a right of suffrage, which shall not have been holden three calendar months previous to the day of election. Stockholders, actually resident within the United States, and none other, may vote in elections by proxy.

XII. Not more than three fourths of the directors in office, exclusive of the president, shall be eligible for the next succeeding year. But the director who shall be president at the time of an election, may always be re-elected.

XIII. None but a stockholder, being a citizen of the United States, shall be eligible as a director.

XIV. Any number of stockholders not less than sixty, who together shall be proprietors of two hundred shares, or upwards, shall have power at any time to call a general meeting of the stockholders, for purposes relative to the institution; giving at least six weeks notice in two public gazettes of the place where the bank is kept, and specifying, in such notice, the object of the meeting.

XV. In case of the death, resignation, absence from the United States, or removal of a director by the stockholders, his place may be filled by a new choice for the remainder of the year.

XVI. No director shall be entitled to any emolument, unless the same shall have been allowed by the stockholders at a general meeting. The stockholders shall make such compensation to the president, for his extraordinary attendance at the bank, as shall appear to them reasonable.

XVII. Not less than seven directors shall constitute a board for the transaction of business.

XVIII. Every cashier, or treasurer, before he enters on the duties of his office, shall be required to give bond, with two or more sureties, to the satisfaction of the directors, in a sum not less than twenty thousand dollars, with condition for his good behaviour.

XIX. Half yearly dividends shall be made of so much of the profits of the bank, as shall appear to the directors adviseable. And once in every three years the directors shall lay before the stockholders, at a general meeting, for their information, an exact and particular statement of the debts, which shall have remained unpaid, after the expiration of the

original credit, for a period of treble the term of that credit, and of the surplus of profit, if any, after deducting losses and dividends.

XX. The bills and notes of the bank originally made payable, or which shall have become payable on demand, in gold and silver coin, shall be receivable in all payments to the United States.

XXI. The officer at the head of the treasury department of the United States, shall be furnished from time to time, as often as he may require, not exceeding once a week, with statements of the amount of the capital stock of the bank, and of the debts due to the same, of the monies deposited therein, of the notes in circulation, and of the cash in hand; and shall have a right to inspect such general accounts in the books of the bank, as shall relate to the said statements; provided that this shall not be construed to imply a right of inspecting the account of any private individual or individuals, with the bank.

XXII. No similar institution shall be established by any future act of the United States, during the continuance of the one hereby proposed to be established.

XXIII. It shall be lawful for the directors of the bank to establish offices, wheresoever they shall think fit, within the United States, for the purposes of discount and deposit only, and upon the same terms, and in the same manner, as shall be practised at the bank, and to commit the management of the said offices, and the making of the said discounts, either to agents specially appointed by them, or to such persons as may be chosen by the stockholders residing at the place where any such office shall be, under such agreements, and subject to such regulations as they

shall deem proper; not being contrary to law, or to the constitution of the bank.

XXIV. And lastly. The President of the United States shall be authorized to cause a subscription to be made to the stock of the said company, on behalf of the United States, to an amount not exceeding two millions of dollars, to be paid out of the monies which shall be borrowed by virtue of either of the acts, the one entitled, "An Act making provision for the debt of the United States," and the other entitled, "An Act making provision for the reduction of the public debt;" borrowing of the bank an equal sum, to be applied to the purposes for which the said monies shall have been procured, reimburseable in ten years by equal annual instalments; or at any time sooner, or in any greater proportions, that the government may think fit.

The reasons for the several provisions contained in the foregoing plan, have been so far anticipated, and will, for the most part, be so readily suggested by the nature of those provisions, that any comments which need further be made, will be both few and concise.

The combination of a portion of the public debt, in the formation of the capital, is the principal thing of which an explanation is requisite. The chief object of this is, to enable the creation of a capital sufficiently large to be the basis of an extensive circulation, and an adequate security for it. As has been elsewhere remarked, the original plan of the bank of North-America, contemplated a capital of ten millions of dollars, which is certainly not too broad a foundation for the extensive operations to which a national bank is destined. But to collect such a sum in this country in gold and sil-

ver, into one depository, may, without hesitation, be pronounced impracticable. Hence the necessity of an auxiliary, which the public debt at once presents.

This part of the fund will be always ready to come in aid of the specie. It will more and more command a ready sale; and can therefore expeditiously be turned into coin if an exigency of the bank should at any time require it. This quality of prompt convertibility into coin, renders it an equivalent for that necessary agent of bank circulation; and distinguishes it from a fund in land, of which the sale would generally be far less compendious, and at great disadvantage. The quarter yearly receipts of interest will also be an actual addition to the specie fund, during the intervals between them and the half yearly dividends of profits. The objection to combining land with specie, resulting from their not being generally in possession of the same persons, does not apply to the debt, which will always be found in considerable quantity among the monied and trading people.

The debt composing part of the capital, besides its collateral effect in enabling the bank to extend its operations, and consequently to enlarge its profits, will produce a direct annual revenue of six per centum from the government, which will enter into the half yearly dividends received by the stockholders.

When the present price of the public debt is considered, and the effect which its conversion into bank stock, incorporated with a specie fund, would in all probability have to accelerate its rise to the proper point, it will easily be discovered, that the operation presents in its outset a very considerable

advantage to those who may become subscribers; and from the influence which that rise would have on the general mass of the debt, a proportional benefit to all the public creditors, and in a sense which has been more than once adverted to, to the community at large.

There is an important fact, which exemplifies the fitness of the public debt, for a bank fund, and which may serve to remove doubts in some minds on this point. It is this, that the bank of England, in its first erection, rested wholly on that foundation. The subscribers to a loan to government of one million two hundred thousand pounds sterling, were incorporated as a bank; of which the debt created by the loan and the interest upon it, were the sole fund. The subsequent augmentations of its capital, which now amounts to between eleven and twelve millions of pounds sterling, have been of the same nature.

The confining of the right of the bank to contract debts to the amount of its capital, is an important precaution, which is not to be found in the constitution of the bank of North-America, and which, while the fund consists wholly of coin, would be a restriction attended with inconveniences, but would be free from any, if the composition of it should be such as is now proposed. The restriction exists in the establishment of the bank of England, and as a source of security, is worthy of imitation. The consequence of exceeding the limit there is, that each stockholder is liable for the excess, in proportion to his interest in the bank. When it is considered, that the directors owe their appointments to the choice of the stockholders, a responsibility of this kind on the part of the latter, does not appear unreasonable. But on the other hand it may be

deemed a hardship upon those who may have dissented from the choice. And there are many among us, whom it might perhaps discourage from becoming concerned in the institution. These reasons have induced the placing of the responsibility upon the directors, by whom the limit prescribed should be transgressed.

The interdiction of loans on account of the United States, or of any particular state, beyond the moderate sum specified, or of any foreign power, will serve as a barrier to executive encroachments, and to combinations inauspicious to the safety, or contrary to the policy of the Union.

The limitation of the rate of interest is dictated by the consideration, that different rates prevail in different parts of the Union; and as the operations of the bank may extend through the whole, some rule seems to be necessary. There is room for a question, whether the limitation ought not rather to be to five, than to six per cent. as proposed. It may with safety be taken for granted, that the former rate would yield an ample dividend; perhaps as much as the latter, by the extension which it would give to business. The natural effect of low interest is to increase trade and industry; because undertakings of every kind can be prosecuted with greater advantage. This is a truth generally admitted; but it is requisite to have analyzed the subject in all its relations, to be able to form a just conception of the extent of that effect. Such an analysis cannot but satisfy an intelligent mind, that the difference of one per cent. in the rate at which money may be had, is often capable of making an essential change for the better in the situation of any country or place.

Every thing, therefore, which tends to lower the rate of interest, is peculiarly worthy of the cares of legislators. And though laws, which violently sink the legal rate of interest greatly below the market level, are not to be commended, because they are not calculated to answer their aim; yet, whatever has a tendency to effect a reduction, without violence to the natural course of things, ought to be attended to and pursued. Banks are among the means most proper to accomplish this end; and the moderation of the rate at which their discounts are made, is a material ingredient towards it; with which their own interest, viewed on an enlarged and permanent scale, does not appear to clash.

But as the most obvious ideas are apt to have greater force than those which depend on complex and remote combinations, there would be danger, that the persons, whose funds must constitute the stock of the bank, would be diffident of the sufficiency of the profits to be expected, if the rate of loans and discounts were to be placed below the point to which they have been accustomed; and might, on this account, be indisposed to embarking in the plan. There is, it is true, one reflection, which, in regard to men actually engaged in trade, ought to be a security against this danger; it is this, That the accommodations which they might derive in the way of their business, at a low rate, would more than indemnify them for any difference in the dividend; supposing even that some diminution of it were to be the consequence. But upon the whole, the hazard of contrary reasoning among the mass of monied men, is a powerful argument against the experiment. The institutions of the kind already existing, add to the difficulty of making it. Mature

reflection, and a large capital, may, of themselves, lead to the desired end.

The last thing which requires any explanatory remark, is, the authority proposed to be given to the President to subscribe to the amount of two millions of dollars, on account of the public. The main design of this is, to enlarge the specie fund of the bank, and to enable it to give a more early extension to its operations. Though it is proposed to borrow with one hand what is lent with the other; yet the disbursement of what is borrowed, will be progressive, and bank notes may be thrown into circulation, instead of the gold and silver. Besides, there is to be an annual reimbursement of a part of the sum borrowed, which will finally operate as an actual investment of so much specie. In addition to the inducements to this measure, which result from the general interest of the government to enlarge the sphere of the utility of the bank, there is this more particular consideration, to wit, that as far as the dividend on the stock shall exceed the interest paid on the loan, there is a positive profit.

The Secretary begs leave to conclude, with this general observation—That if the bank of North-America shall come forward with any propositions, which have for their object the ingrafting upon that institution, the characteristics which shall appear to the legislature necessary to the due extent and safety of a national bank, there are, in his judgment, weighty inducements to giving every reasonable facility to the measure. Not only the pretensions of that institution, from its original relation to the government of the United States, and from the services it has rendered, are such as to claim a disposition favourable to it, if those who are interested in

it are willing, on their part, to place it on a footing satisfactory to the government, and equal to the purposes of a bank of the United States: but its co-operation would materially accelerate the accomplishment of the great object, and the collision, which might otherwise arise, might, in a variety of ways, prove equally disagreeable and injurious. The incorporation or union here contemplated, may be effected in different modes, under the auspices of an act of the United States, if it shall be desired by the bank of North-America, upon terms which shall appear expedient to the government.

All which is humbly submitted.

ALEXANDER HAMILTON,

Secretary of the Treasury.

ON THE

CONSTITUTIONALITY

OF A

NATIONAL BANK.

THE Secretary of the Treasury, having perused with attention the papers containing the opinions of the Secretary of State and Attorney-General, concerning the Constitutionality of the bill for establishing a National Bank, proceeds, according to the order of the President, to submit the reasons which have induced him to entertain a different opinion.

It will naturally have been anticipated, that in performing this task, he would feel uncommon solicitude. Personal considerations alone, arising from the reflection that the measure originated with him, would be sufficient to produce it; the sense which he has manifested of the great importance of such an institution to the successful administration of the department under his particular care; and an expectation of serious ill-consequences to result from a failure of the measure, do not permit him to be without anxiety on public accounts. But the chief solicitude arises from a firm persuasion, that principles of construction, like those espoused by the Secretary of State and Attorney-General, would be fa-

tal to the just and indispensable authority of the United States.

In entering upon the argument, it ought to be premised, that the objections of the Secretary of State and Attorney-General, are founded on a general denial of the authority of the United States to erect corporations. The latter, indeed, expressly admits, that if there be any thing in the bill which is not warranted by the constitution, it is the clause of incorporation.

Now, it appears to the Secretary of the Treasury, that this *general principle* is *inherent* in the very definition of government, and *essential* to every step of the progress to be made by that of the United States; namely, that every power vested in a government, is in its nature SOVEREIGN, and includes, by *force* of the *term*, a right to employ all the means requisite, and fairly applicable, to the attainment of the *ends* of such power, and which are not precluded by restrictions and exceptions specified in the constitution; or not immoral; or not contrary to the essential ends of political society.

This principle, in its application to government in general, would be admitted as an axiom; and it will be incumbent upon those who may incline to deny it, to prove a distinction, and to show, that a rule, which, in the general system of things, is essential to the preservation of the social order, is inapplicable to the United States.

The circumstance that the powers of sovereignty, are, in this country, divided between the national and state governments, does not afford the distinction required. It does not follow from this, that each of the portions of *power*, delegated to the one or to the other, is not sovereign with *regard to its*

proper objects. It will only follow from it, that each has sovereign power as to *certain things*, and not as to *other things.* To deny that the government of the United States has sovereign power as to its declared purposes, and trusts, because its power does not extend to all laws; would be equally to deny, that the state governments have sovereign power in *any* case, because their power does not extend to *every* case. The tenth section of the first article of the constitution, exhibits a long list of very important things which they may not do; and thus the United States would furnish the singular spectacle of a political society without *sovereignty;* or of a people governed without government.

If it would be necessary to bring proof to a proposition so clear, as that which affirms that the powers of the federal government, as to its objects, are sovereign, there is a clause of its constitution which would be decisive: It is that which declares, that the constitution, and the laws of the United States made in pursuance of it, and all treaties made, or which shall be made, under their authority, shall be the *Supreme Law of the land.* The power which can create the supreme law of the land, in any case, is doubtless sovereign as to such case.

This general and indisputable principle, puts at once an end to the *abstract* question, Whether the United States have power to *erect a corporation;* that is to say, to give a *legal* or *artificial capacity* to one or more persons, distinct from the natural? For it is unquestionably incident to sovereign power, to erect corporations; and, consequently, to that of the United States, in *relation* to the *objects* intrusted to the management of the government.

The difference is this: where the authority of the government is general, it can create corporations in *all cases;* where it is confined to certain branches of legislature, it can create corporations only in those cases.

Here, then, as far as concerns the reasonings of the Secretary of State and Attorney-General, the affirmative of the constitutionality of the bill might be permitted to rest. It will occur to the President, that the principle here advanced has been untouched by either of them.

Nevertheless, for a more complete elucidation of the point, the arguments which they had used against the power of the government to erect corporations, however foreign they are to the great fundamental rule which has been stated, shall be particularly examined. And after showing that they do not tend to impair its force; it shall also be shown, that the power of incorporation, incident to the government in certain cases, does fairly extend to the particular case which is the object of the bill.

The first of these arguments is, that the foundation of the constitution is laid on this ground, "that all powers, not delegated to the United States by the constitution, nor prohibited to it by the states, are reserved for the states or to the people;" whence it is meant to be inferred, that Congress can, in no case, exercise any power not included in those, nor not enumerated in the constitution. And it is affirmed, that the power of erecting a corporation is not included in any of the enumerated powers.

The main proposition here laid down in its true signification, is not to be questioned. It is nothing more than a consequence of this republican maxim, that all government is a delegation of power; but

how much is delegated in each case, is a question of fact, to be made out by fair reasoning and construction, upon the particular provisions of the constitution—taking as guides, the general principles and general ends of government.

It is not denied that there are implied, as well as *express* powers; and that the former are as effectually delegated as the latter: and for the sake of accuracy, it shall be mentioned, that there is another class of powers, which may be properly denominated *resulting* powers. It will not be doubted, that if the United States, should make a conquest of any of the territories of its neighbours, they would possess sovereign jurisdiction over the conquered territory: This would rather be a result from the whole mass of the powers of the government, and from the nature of political society, than a consequence of either of the powers specially enumerated.

But be this as it may, it furnishes a striking illustration of the general doctrine contended for. It shows an extensive case, in which a power of erecting corporations is either implied in, or would result from, some or all of the powers vested in the national government. The jurisdiction acquired over such conquered territory, would certainly be competent to every species of legislation.

To return. It is conceded, that implied powers are to be considered as delegated, equally with express ones.

Then it follows, that as a power of erecting a corporation may as well be *implied* as any other thing; it may as well be employed as an *instrument* or mean of carrying into execution any of the specified powers, as any other instrument or mean whatever. The only question must be, in this, as in every other

case, whether the mean to be employed, or, in this instance, the corporation to be erected, has a natural relation to any of the acknowledged objects or lawful ends of the government? Thus a corporation may not be erected by Congress for superintending the police of the city of Philadelphia, because they are not authorized to regulate the police of that city. But one may be erected in relation to the collection of taxes, or to the trade with foreign countries, or to the trade between the States, or with the Indian tribes; because it is the province of the federal government to regulate those objects; and because it is incident to a general *sovereign* or *legislative* power to regulate a thing, to employ all the means which relate to its regulation, to the best and greatest advantage.

A strange fallacy seems to have crept into the manner of thinking and reasoning upon the subject. Imagination appears to have been unusually busy concerning it. An incorporation seems to have been regarded as some great independent substantive thing; as a political engine, and of peculiar magnitude and moment; whereas it is truly to be considered as a quality, capacity, or mean to an end. Thus a mercantile company is formed with a certain capital for the purpose of carrying on a particular branch of business. Here the business to be prosecuted is the end. The association, in order to form the requisite capital, is the primary mean. Suppose that an incorporation were added to this; it would only be to add a new quality to that association; to give it an artificial capacity, by which it would be enabled to prosecute the business with more safety and convenience.

That the importance of the power of incorporation has been exaggerated, leading to erroneous con-

clusions, will further appear from tracing it to its origin. The Roman law is the source of it; according to which, a *voluntary* association of individuals at any time, or for any purpose, was capable of producing it. In England, whence our notions of it are immediately borrowed, it seems part of the executive authority; and the exercise of it has been often delegated by that authority; whence, therefore, the ground of the supposition, that it lies beyond the reach of all those very important portions of sovereign power, legislative as well as executive, which belong to the government of the United States.

To this mode of reasoning, respecting the right of employing all the means requisite to the execution of the specified powers of the government, it is objected, that none but necessary and proper means are to be employed; and the Secretary of State maintains, that no means are to be considered as necessary, but those, without which the grant of the power would be nugatory. Nay, so far does he go in his restrictive interpretation of the word, as even to make the case of necessity, which shall warrant the constitutional exercise of the power, to depend on casual and temporary circumstances; an idea which alone refutes the construction. The expediency of exercising a particular power, at a particular time, must indeed depend on circumstances; but the constitutional right of exercising it must be uniform and invariable; the same to-day, as to-morrow.

All the arguments, therefore, against the constitutionality of the bill, derived from the accidental existence of certain state banks; institutions which happen to exist to-day, and, for aught that concerns the government of the United States, may disappear

to-morrow, must not only be rejected as fallacious, but must be viewed as demonstrative that there is a radical source of error in the reasoning.

It is essential to the being of the national government, that so erroneous a conception of the meaning of the word *necessary* should be exploded.

It is certain, that neither the grammatical nor popular sense of the term requires that construction. According to both, *necessary* often means no more than *needful, requisite, incidental, useful, or conducive to.* It is a common mode of expression to say, that it is necessary for a government or a person to do this or that thing, when nothing more is intended or understood, than that the interest of the government or person require, or will be promoted by the doing of this or that thing. The imagination can be at no loss for exemplification of the use of the word in this sense.

And it is the true one in which it is to be understood, as used in the constitution. The whole turn of the clause containing it, indicates that it was the intent of the convention, by that clause, to give a liberal latitude to the exercise of the specified powers. The expressions have a peculiar comprehensiveness. They are—To make all laws necessary and proper for *carrying into execution the foregoing powers, and all other powers* vested by the constitution in the government of the United States, or in any *department* or office thereof. To understand the word, as the Secretary of State does, would be to depart from its obvious and popular sense, and to give it a *restrictive* operation; an idea never before entertained. It would be to give it the same force as if the word *absolutely* or indispensably had been prefixed to it.

Such a construction would beget endless uncertainty and embarrassment. The cases must be palpable and extreme, in which it could be pronounced with certainty, that a measure was absolutely necessary; or one, without which the exercise of a given power would be nugatory. There are few measures of any government which would stand so severe a test. To insist upon it, would be to make the criterion of the exercise of any implied power, a case of *extreme necessity*; which is rather a rule to justify the overleaping of the bounds of constitutional authority, than to govern the ordinary exercise of it.

It may be truly said of every government, as well as that of the United States, that it has only a right to pass such laws as are necessary and proper to accomplish the objects intrusted to it: For no government has a right to do *merely what it pleases*. Hence, by a process of reasoning similar to that of the Secretary of State, it might be proved that neither of the state governments has a right to incorporate a bank. It might be shown, that all the public business of the state could be performed without a bank; and, inferring thence that it was unnecessary, it might be argued, that it could not be done, because it is against the rule which has been just mentioned.

A like mode of reasoning would prove, that there was no power to incorporate the inhabitants of a town with a view to a more perfect police: For it is certain, that an incorporation may be dispensed with, though it is better to have one. It is to be remembered, that there is no express power in any state constitution, to erect corporations.

The degree in which a measure is necessary, can never be a test of the *legal right* to adopt it. That

must be a matter of opinion, and can only be a test of expediency. The relation between the *measure* and the *end;* between the *nature* of the *mean* employed towards the execution of a power, and the *object* of that power; must be the criterion of constitutionality; not the more or less of necessity or utility.

The practice of the government is against the rule of construction advocated by the Secretary of State. Of this, the act concerning light-houses, beacons, buoys, and public piers, is a decisive example. This, doubtless, must be referred to the power of regulating trade, and is fairly relative to it. But it cannot be affirmed, that the exercise of that power, in this instance, was strictly necessary; or that the power itself would be *nugatory* without that of regulating establishments of this nature.

This restrictive interpretation of the word *necessary*, is also contrary to this sound maxim of construction; namely, that the powers contained in a constitution of government, especially those which concern the general administration of the affairs of a country, its finances, trade, defence, &c. ought to be construed liberally in advancement of the public good. This rule does not depend on the particular form of a government, or on the particular demarkation of the boundaries of its powers, but on the nature and objects of government itself. The means by which national exigencies are to be provided for; national inconveniences obviated; national prosperity promoted; are of such infinite variety, extent, and complexity, that there must of necessity be great latitude of discretion in the selection and application of those means. Hence, consequently, the necessity and propriety of exercising the authorities

intrusted to a government, on principles of liberal construction.

The Attorney-General admits the *rule*, but takes a distinction between a state and the federal constitution. The latter, he thinks, ought to be construed with greater strictness, because there is more danger of error in defining partial, than general powers.

But the reason of the *rule* forbids such a distinction. This reason is—The variety and extent of public exigencies, a far greater proportion of which, and of a far more critical kind, are objects of national, than of state administration. The greater danger of error, as far as it is supposeable, may be a prudential reason for caution in practice, but it cannot be a rule of restrictive interpretation.

In regard to the clause of the constitution, immediately under consideration, it is admitted by the Attorney-General, that no restrictive effect can be ascribed to it. He defines the word necessary, thus: "To be necessary, is to be *incidental*, and may be denominated the natural means of executing a power."

But, while, on the one hand, the construction of the Secretary of State is deemed admissible, it will not be contended, on the other, that the clause in question gives any new or independent power. But it gives an explicit sanction to the doctrine of implied powers, and is equivalent to an admission of the proposition, that the government, *as to its specified powers* and *objects*, has plenary and sovereign authority; in some cases, paramount to that of the states; in others, co-ordinate with it. For such is the plain import of the declaration, that it may pass

all LAWS necessary and proper to carry into execution those powers.

It is no valid objection to the doctrine, to say, that it is calculated to extend the powers of the general government throughout the entire sphere of state legislation. The same thing has been said, and may be said, with regard to every exercise of power, by *implication* or *construction*. The moment the literal meaning is departed from, there is a chance of error and abuse: and yet an adherence to the letter of its powers would at once arrest the motion of government. It is not only agreed on all hands, that the exercise of constructive powers is indispensable; but every act which has been passed, is more or less an exemplification of it. One has already been mentioned; that relating to light-houses, &c. That which declares the power of the President to remove officers at pleasure, acknowledges the same truth in another, and a signal instance.

The truth is, that difficulties on this point, are inherent in the nature of the federal constitution. They result inevitably from a division of legislative power. The consequence of this division is, that there will be cases clearly within the power of the national government, others clearly without its power; and a third class, which will leave room for controversy and difference of opinion, and concerning which a reasonable latitude of judgment must be allowed.

But the doctrine which is contended for, is not chargeable with the consequences imputed to it. It does not affirm that the national government is sovereign in all respects, but that it is sovereign to a certain extent; that is, to the extent of the objects of its specified powers.

It leaves, therefore, a criterion of what is constitutional, and of what is not so. This criterion is the *end* to which the measure relates as a *mean*. If the end be clearly comprehended within any of the specified powers, and if the measure have an obvious relation to that end, and is not forbidden by any particular provision of the constitution; it may safely be deemed to come within the compass of the national authority. There is also this further criterion, which may materially assist the decision. Does the proposed measure abridge a pre-existing right of any state, or of any individual? If it does not, there is a strong presumption in favour of its constitutionality; and slighter relations to any declared object of the constitution, may be permitted to turn the scale.

The general objections which are to be inferred from the reasonings of the Secretary of State and Attorney-General, to the doctrine which has been advanced, have been stated; and it is hoped, satisfactorily answered. Those of a more particular nature, shall now be examined.

The Secretary of State introduces his opinion with an observation, that the proposed incorporation undertakes to create certain capacities, properties, or attributes, which are against the laws of alienage, descents, *escheat* and *forfeiture*, distribution and *monopoly*; and to confer a power to make laws paramount to those of the states. And nothing, says he, in another place, but a *necessity*, invincible by other means, can justify such a prostration of laws, which constitute the pillars of our whole systym of jurisprudence, and are the foundation-laws of the state governments.

If these are truly the foundation-laws of the seve-

nal states, then have most of them subverted their own foundations. For there is scarcely one of them which has not, since the establishment of its particular constitution, made material alterations in some of those branches of its jurisprudence, especially the law of descents. But it is not conceived, how any thing can be called the fundamental law of a state government, which is not established in its constitution, unalterable by the ordinary legislature. And, with regard to the question of necessity, it has been shown, that this can only constitute a question of expediency, not of right.

To erect a corporation, is to substitute a legal or *artificial*, for a *natural* person; and where a *number* are concerned, to give them *individuality*. To that legal or artificial person, once created, the common law of every state, of itself *annexes* all those incidents and attributes which are represented as a prostration of the main pillars of their jurisprudence. —It is certainly not accurate to say, that the erection of a corporation, is *against* those different *heads* of the state laws; because, it is rather to create a kind of person, or entity, to which they are inapplicable, and to which the general rule of those laws assigns a different regimen. The laws of alienage cannot apply to an artificial person, because it can have no country. Those of descent cannot apply to it, because it can have no heirs. Those of escheat are foreign from it, for the same reason. Those of forfeiture, because it cannot commit a crime. Those of distribution, because, though it may be dissolved, it cannot die. As truly might it be said, that the exercise of the power of prescribing the rule by which foreigners shall be naturalized, is against the law of alienage, while it is in fact only

to put them into a situation to cease to be the subjects of that law. To do a thing which is against the law, is to do something which it forbids, and which is a violation of it.

But if it were even to be admitted, that the erection of a corporation is a direct alteration of the state laws in the enumerated particulars, it would do nothing towards proving that the measure was unconstitutional. If the government of the United States can do no act which amounts to an alteration of a state law, all its powers are nugatory: for almost every new law is an alteration, in some way or other, of an *old law*, either common or statute.

There are laws concerning bankruptcy in some states. Some states have laws regulating the value of foreign coin. Congress are empowered to establish uniform laws concerning bankruptcy throughout the United States, and to regulate the value of foreign coins. The exercise of either of these powers, by Congress, necessarily involves an alteration of the laws of those states.

Again—Every person, by the common law of each state, may export his property to foreign countries at pleasure; but Congress, in pursuance of the power of regulating trade, may prohibit the exportation of commodities; in doing which, they would alter the common law of each state, in abridgment of individual right.

It can, therefore, never be good reasoning, to say, this or that act is unconstitutional, because it alters this or that law of a state; it must be shown that the act which makes the alteration, is unconstitutional on other accounts; not *because* it makes the alteration.

There are two points in the suggestions of the Secretary of State which have been noted, that are

peculiarly incorrect. One is, that the proposed incorporation is against the laws of monopoly, because it stipulates an exclusive right of banking under the national authority: The other, that it gives power to the institution, to make laws paramount to those of the states.

But with regard to the first point, the bill neither prohibits any state from erecting as many banks as it pleases, nor any number of individuals from associating to carry on the business; and, consequently, is free from the charge of establishing a monopoly: for monopoly implies a *legal impediment* to the carrying on the trade by others than those to whom it is granted.

And, with regard to the second point, there is still less foundation. The by-laws of such an institution as a bank, can operate only upon its own members; can only concern the disposition of its own property; and must essentially resemble the rules of a private mercantile partnership. They are expressly not to be contrary to law; and law must here mean the law of a state, as well as of the United States. There never can be a doubt, that a law of a corporation, if contrary to a law of a state, must be overruled as void, unless the law of the state is contrary to that of the United States; and then the question will not be between the law of the state and that of the corporation, but between the law of the state and that of the United States.

Another argument made use of by the Secretary of State, is, the rejection, by the convention, of a proposition to empower Congress to make corporations, either generally, or for some special purpose. What was the precise nature or extent of this proposition, or what the reasons for refusing it, is not

ascertained by any authentic document, or even by accurate recollection. As far as any such document exists, it specifies only canals. If this was the amount of it, it would at most only prove, that it was thought inexpedient to give a power to incorporate for the purpose of opening canals; for which purpose a special power would have been necessary, except with regard to the Western Territory; there being nothing in any part of the constitution respecting the regulation of canals. It must be confessed, however, that very different accounts are given of the import of the proposition, and of the motives for rejecting it. Some affirm that it was confined to the opening of canals and obstructions in rivers; others, that it embraced banks; and others, that it extended to the power of incorporating generally. Some again allege, that it was disagreed to, because it was thought improper to vest in Congress a power of erecting corporations; others, because it was thought unnecessary to specify the power, and inexpedient to furnish an additional topic of objection to the constitution. In this state of the matter, no inference whatever can be drawn from it.

But whatever may have been the nature of the proposition, or the reasons for rejecting it, nothing is included by it, that is, the proposition, in respect to the real merits of the question. The Secretary of State will not deny, that whatever may have been the intentions of the framers of a constitution, or of a law; that intention is to be sought for in the instrument itself, according to the usual and established rules of construction. Nothing is more common than for laws to *express* and *effect* more or less than was intended. If, then, a power to erect a corpora-

tion in any case, be deducible by fair inference from the whole, or any part, of the numerous provisions of the constitution of the United States; arguments, drawn from extrinsic circumstances regarding the intention of the convention, must be rejected.

Most of the arguments of the Secretary of State, which have not been considered in the foregoing remarks, are of a nature rather to apply to the expediency, than to the constitutionality of the bill. They will, however, be noticed in the discussion which will be necessary in reference to the particular heads of the powers of the government, which are involved in the question.

Those of the Attorney-General will now properly come under view.

His first observation is, that the power of incorporation is not *expressly* given to Congress. This shall be conceded, but in this sense only—that it is not declared in *express terms*, that Congress may erect a *corporation*. But this cannot mean that there are not certain *express* powers, which necessarily include it.

For instance, Congress have express power to exercise exclusive legislation in all cases whatsoever, over such district, (not exceeding ten miles square,) as may, by cession of particular states, and the acceptance of Congress, become the seat of the government of the United States; and to exercise like authority over all places purchased by consent of the legislature of the state in which the same shall be, for the erection of forts, arsenals, dock-yards, and other needful buildings.

Here, then, is express power to exercise exclusive *legislation, in all cases whatsoever, over certain places*; that is, to do, in respect to those places, all that any

government whatever may do. For language does not afford a more complete designation of sovereign power, than in those comprehensive terms. It is, in other words, a power to pass all laws whatsoever; and, consequently, to pass all laws for erecting corporations, as well as for any other purpose, which is the proper object of law in a free government. Surely, it can never be believed, that Congress, with *exclusive power of legislation, in all cases whatsoever*, cannot erect a corporation within the district which shall become the seat of government, for the better regulation of its police; and yet there is an unqualified denial of the power to erect corporations, *in every case*, on the part both of the Secretary of State and of the Attorney-General. The former, indeed, speaks of that power in these emphatical terms: that it is a *right remaining exclusively with the states.*

As far, then, as there is an express power to do any *particular* act of *legislation*, there is an express one to erect corporations in the case above described. But, accurately speaking, *no particular power*, is more than *implied* in a general one. Thus the power to lay a duty on a *gallon of rum*, is only a particular, *implied* in the general power to lay and collect taxes, duties, imposts, and excises. This serves to explain in what sense it may be said, that Congress have not an express power to make corporations.

This may not be an improper place to take notice of an argument which was used in debate in the House of Representatives. It was there urged, that if the constitution intended to confer so important a power as that of erecting corporations, it would have been expressly mentioned. But the case which has been noticed, is clearly one in which such power exists, and yet without any specification or express

grant of it, further than as every *particular*, *implied* in a general power, can be said to be so granted.

But the argument itself is founded upon an exaggerated and erroneous conception of the nature of the power. It has been shown, that it is not of so transcendent a kind as the reasoning supposes; and that viewed in a just light, it is a mean which ought to have been left to *implication;* rather than an *end* which ought to have been *expressly* granted.

Having observed, that the power of erecting corporations is not expressly granted to Congress, the Attorney-General proceeds thus:

If it can be exercised by them, it must be,

1. Because the nature of federal government implies it:

2. Because it is involved in some of the specified powers of legislation:

3. Because it is necessary and proper, to carry into execution some of the specified powers.

To be implied in the nature of the federal government, says he, would beget a doctrine so indefinite as to grasp at every power.

This proposition, it ought to be remarked, is not precisely, or even substantially, that which has been relied upon. The proposition relied upon is, that the *specified powers of Congress* are in their nature sovereign; that it is incident to sovereign power to erect corporations; and that, therefore, Congress have a right, within the *sphere, and in relation to the objects of their power, to erect corporations.*

It shall, however, be supposed, that the Attorney-General would consider the two propositions in the same light, and that the objection made to the one, would be made to the other.

To this objection an answer has been already given.

It is this; that the doctrine is stated with this express *qualification*, that the right to erect corporations does only extend to *cases* and *objects* within the *sphere* of the *specified* powers of the government. A general legislative authority, implies a power to erect corporations in all cases; a particular legislative power, implies authority to erect corporations in relation to cases arising under that power only. Hence the affirming, that, as incident to sovereign power, Congress may erect a corporation in relation to the collection of their taxes, is no more to affirm that they may do whatever else they please, than the saying they have a power to regulate trade, would be to affirm, that they have a power to regulate religion; or than the maintaining, that they have sovereign *power* as to taxation, would be to maintain, that they have sovereign power as to every thing else.

The Attorney-General undertakes in the next place to show, that the power of erecting corporations is not involved in any of the specified powers of legislation confided to the national government.

In order to this, he has attempted an enumeration of the particulars which he supposes to be comprehended under the several heads of the POWERS to lay and collect taxes, &c. to borrow money on the credit of the United States; to regulate commerce with foreign nations, between the states, and with the Indian tribes; to dispose of, and make all needful rules and regulations respecting the territory, or other property belonging to the United States: the design of which enumeration is to show, *what is* included under those different heads of power; and negatively, that the power of erecting corporations is not included.

The truth of this inference or conclusion must depend on the accuracy of the enumeration. If it can be shown that the enumeration is defective, the inference is destroyed. To do this will be attended with no difficulty.

The heads of the power to lay and collect taxes, he states to be,

1. To ascertain the subjects of taxation, &c.
2. To declare the quantum of taxation, &c.
3. To prescribe the mode of collection.
4. To ordain the manner of accounting for the taxes, &c.

The defectiveness of this enumeration consists in the generality of the third division, "to *prescribe the mode of collection*, which is in itself an immense chapter. It will be shown hereafter, that among a vast variety of particulars, it comprises the very power in question, namely, to *erect corporations*.

The heads of the power to borrow money, are stated to be—

I. To stipulate the sum to be lent.

II. An interest, or no interest, to be paid.

III. The time and manner of repaying, unless the loan be placed on an irredeemable fund.

This enumeration is liable to a variety of objections. It omits, in the first place, the *pledging* or *mortgaging*, of a fund for the security of the money lent; an usual, and in most cases, an essential ingredient.

The idea of a stipulation of an *interest* or *no interest*, is too confined. It should rather have been said, to stipulate the consideration of the loan. Individuals often borrow upon considerations other than the payment of interest. So may government; and so they often find it necessary to do. Every one

recollects the lottery tickets, and other douceurs often given in Great-Britain as collateral inducements to the lending of money to the government.

There are also frequently collateral conditions, which the enumeration does not contemplate. Every contract which has been made for monies borrowed in Holland, includes stipulations that the sum due shall be *free from taxes*, and from sequestration in time of war; and mortgages all the land and property of the United States for the reimbursement.

It is also known that a lottery is a common expedient for borrowing money, which certainly does not fall under either of the enumerated heads.

The heads of the power to regulate commerce with foreign nations, are stated to be,

1. To prohibit them or their commodities from our ports.

2. To impose duties on them where none existed before, or to increase existing duties on them.

3. To subject them to any species of Custom-house regulation.

4. To grant them any exemptions or privileges which policy may suggest.

This enumeration is far more exceptionable than either of the former: It omits *every thing* that relates to the *citizens*, vessels, or commodities, of the United States.

The following palpable omissions occur at once:

I. Of the power to prohibit the exportation of commodities, which not only exists at all times, but which in time of war it would be necessary to exercise, particularly with relation to naval and warlike stores.

II. Of the power to prescribe rules concerning the

characteristics and privileges of an American bottom; how she shall be navigated; as, whether by citizens or foreigners, or by a proportion of each.

III. Of the power of regulating the manner of contracting with seamen, the policies of ships on their voyages, &c. of which the act for the government and regulation of seamen in the merchant service is a specimen.

That the three preceding articles are omissions, will not be doubted. There is a long list of items in addition, which admit of little if any question, of which a few samples shall be given.

I. The granting of bounties to certain kinds of vessels and certain species of merchandise; of this nature is the allowance on dried and pickled fish, and salted provisions.

II. The prescribing of rules concerning the inspection of commodities to be exported. Though the states individually are competent to this regulation, yet there is no reason, in point of authority at least, why a general system might not be adopted by the United States.

III. The regulation of policies of insurance; of salvage upon goods found at sea; and the disposition of such goods.

IV. The regulation of pilots.

V. The regulation of bills of exchange, drawn by a merchant of *one state* upon a merchant of *another* state. This last rather belongs to the regulation of trade between the states, but is equally omitted in the specification under that head.

The last enumeration relates to the power to dispose of, and make *all needful* rules and regulations respecting, the territory or *other property* belonging to the United States.

The heads of this power are said to be,

I. To exert an ownership over the territory of the United States which may be properly called the property of the United States, as in the Western Territory, and to *institute a government* therein; or,

II. To exert an ownership over the other property of the United States.

This idea of exerting an ownership over the territory or other property of the United States, is particularly indefinite and vague. It does not at all satisfy the conception of what must have been intended by a power to make all needful *rules* and *regulations;* nor would there have been any use for a special clause, which authorized nothing more; for the right of exerting an ownership, is implied in the very definition of property.

It is admitted, that in regard to the Western Territory something more is intended: even the institution of a government; that is, the creation of a body politic, or corporation of the highest nature; one which in its maturity will be able itself to create other corporations. Why, then, does not the same clause authorize the erection of a corporation in respect to the regulation or disposal of any other of the property of the United States?

This idea will be enlarged upon in another place.

Hence it appears, that the enumerations which have been attempted by the Attorney-General, are so imperfect, as to authorize no conclusion whatever. They, therefore, have no tendency to disprove, that each and every of the powers to which they relate, includes that of erecting corporations, which they certainly do, as the subsequent illustrations will more and more evince.

It is presumed to have been satisfactorily shown, in the course of the preceding observations,

I. That the power of the government, as to the objects intrusted to its management, is in its nature sovereign.

II. That the right of erecting corporations, is one inherent in, and inseparable from, the idea of sovereign power.

III. That the position, that the government of the United States can exercise no power but such as is delegated to it by its constitution, does not militate against this principle.

IV. That the word *necessary*, in the general clause, can have no *restrictive* operation, derogating from the force of this principle; indeed, that the degree in which a measure is, or is not necessary, cannot be a *test* of *constitutional* right, but of expediency only.

V. That the power to erect corporations, is not to be considered as an independent and substantive power, but as an incidental and auxiliary one; and was, therefore, more properly left to implication, than expressly granted.

VI. That the principle in question does not extend the power of the government beyond the prescribed limits, because it only affirms a power to incorporate for purposes *within the sphere of the specified powers.*

And lastly, that the right to exercise such a power, in certain cases, is unequivocally granted in the most positive and comprehensive terms.

To all which it only remains to be added, that such a power has actually been exercised in two very eminent instances, namely, in the erection of two governments; one north-west of the river Ohio,

and the other south-west; the last independent of any antecedent compact.

And there results a full and complete demonstration, that the Secretary of State and Attorney-General are mistaken, when they deny generally the power of the national government to erect corporations.

It shall now be endeavoured to be shown, that there is a power to erect one of the kind proposed by the bill. This will be done by tracing a natural and obvious relation between the institution of a bank, and the objects of several of the enumerated powers of the government; and by showing that, *politically* speaking, it is necessary to the effectual execution of one or more of those powers. In the course of this investigation, various instances will be stated, by way of illustration, of a right to erect corporations under those powers.

Some preliminary observations may be proper.

The proposed bank is to consist of an association of persons for the purpose of creating a joint capital to be employed, chiefly and essentially, in loans. So far the object is not only lawful, but it is the mere exercise of a right which the law allows to every individual. The bank of New-York, which is not incorporated, is an example of such an association. The bill proposes, in addition, that the government shall become a joint proprietor in this undertaking; and that it shall permit the bills of the company, payable on demand, to be receivable in its revenues; and stipulates that it shall not grant privileges, similar to those which are to be allowed to this company, to any others. All this is incontrovertibly within the compass of the discretion of the government. The only question is, whether it has a right to in-

corporate this company, in order to enable it the more effectually to accomplish ends, which are in themselves lawful.

To establish such a right, it remains to show the relation of such an institution, to one or more of the specified powers of the government.

Accordingly, it is affirmed, that it has a relation, more or less direct, to the power of collecting taxes; to that of borrowing money; to that of regulating trade between the states; and to those of raising and maintaining fleets and armies. To the two former, the relation may be said to be immediate.

And, in the last place, it will be argued, that it is clearly within the provision, which authorizes the making of all *needful rules* and *regulations* concerning the property of the United States, as the same has been practised upon by the government.

A bank relates to the collection of taxes in two ways. *Indirectly*, by increasing the quantity of circulating medium, and quickening circulation, which facilitates the means of paying; *directly*, by creating a *convenient species* of medium in which they are to be paid.

To designate or appoint the money or thing in which taxes are to be paid, is not only a proper, but a necessary, *exercise* of the power of collecting them. Accordingly, Congress, in the law concerning the collection of the duties on imposts and tonnage, have provided that they shall be payable in gold and silver. But while it was an indispensable part of the work to say in what they should be paid, the choice of the specific thing was mere matter of discretion. The payment might have been required in the commodities themselves. Taxes in kind, however ill judged, are not without precedents even in the

United States; or it might have been in the paper money of the several states, or in the bills of the bank of North-America, New-York, and Massachusetts, all or either of them; or it might have been in bills issued under the authority of the United States.

No part of this can, it is presumed, be disputed. The appointment, then, of the money or *thing* in which the taxes are to be paid, is an incident to the power of collection. And among the expedients which may be adopted, is that of bills issued under the authority of the United States.

Now the manner of issuing these bills, is again matter of discretion. The government might, doubtless, proceed in the following manner: It might provide that they should be issued under the direction of certain officers, payable on demand; and in order to support their credit, and give them a ready circulation, it might, besides giving them a currency in its taxes, set apart, out of any monies in its treasury a given sum, and appropriate it, under the direction of those officers, as a fund for answering the bills, as presented for payment.

The constitutionality of all this would not admit of a question, and yet it would amount to the institution of a bank, with a view to the more convenient collection of taxes. For the simplest and most precise idea of a bank, is, a deposit of coin or other property, as a fund for *circulating a credit* upon it, which is to answer the purpose of money. That such an arrangement would be equivalent to the establishment of a bank, would become obvious, if the place where the fund to be set apart was kept, should be made a receptacle of the monies of all other persons who should incline to deposit them

there for safe keeping; and would become still more so, if the officers, charged with the direction of the fund, were authorized to make discounts at the usual rate of interest, upon good security. To deny the power of the government to add this ingredient to the plan, would be to refine away all government.

A further process will still more clearly illustrate the point. Suppose, when the species of bank which has been described, was about to be instituted, it were to be urged, that in order to secure to it a due degree of confidence, the fund ought not only to be set apart and appropriated generally, but ought to be specifically vested in the officers who were to have the direction of it, and in their successors in office, to the end that it might acquire the character of *private property*, incapable of being resumed without a violation of the sanction by which the rights of property are protected; and occasioning more serious and general alarm: the apprehension of which might operate as a check upon the government. Such a proposition might be opposed by arguments against the expediency of it, or the solidity of the reason assigned for it; but it is not conceivable what could be urged against its constitutionality.

And yet such a disposition of the thing would amount to the erection of a corporation; for the true definition of a corporation seems to be this: It is a *legal* person, or a person created by act of law; consisting of one or more natural persons, authorized to hold property or a franchise in succession, in a legal, as contradistinguished from a natural, capacity.

Let the illustration proceed a step further. Suppose a bank, of the nature which has been described, without or with incorporation, had been instituted, and that experience had evinced, as it probably

would, that being wholly under a public direction, it possessed not the confidence requisite to the credit of its bills. Suppose also, that by some of those adverse conjunctures which occasionally attend nations, there had been a very great drain of the specie of the country, so as not only to cause general distress for want of an adequate medium of circulation; but to produce, in consequence of that circumstance, considerable defalcations in the public revenues. Suppose, also, that there was no bank instituted in any state: in such a posture of things would it not be most manifest, that the incorporation of a bank like that proposed by the bill, would be a measure immediately relative to the effectual collection of the taxes, and completely within the province of a sovereign power of providing, by all laws necessary and proper, for that collection.

If it be said, that such a state of things would render that necessary, and therefore constitutional, which is not so now; the answer to this, (and a solid one it doubtless is,) must still be, that which has been already stated; circumstances may affect the *expediency* of the measure, but they can neither add to, nor diminish its *constitutionality*.

A bank has a direct relation to the power of borrowing money, because it is an usual, and in sudden emergencies, an essential instrument, in the obtaining of loans to government.

A nation is threatened with a war; large sums are wanted on a sudden to make the requisite preparations; taxes are laid for the purpose; but it requires time to obtain the benefit of them; anticipation is indispensable. If there be a bank, the supply can at once be had; if there be none, loans from individuals must be sought. The progress of these is often

too slow for the exigency; in some situations they are not practicable at all. Frequently when they are, it is of great consequence to be able to anticipate the product of them by advances from a bank.

The essentiality of such an institution, as an instrument of loans, is exemplified at this very moment. An Indian expedition is to be prosecuted. The only fund out of which the money can arise consistently with the public engagements, is a tax, which only begins to be collected in July next. The preparations, however, are instantly to be made. The money must therefore be borrowed; and of whom could it be borrowed, if there were no public banks?

It happens that there are institutions of this kind; but if there were none, it would be indispensable to create one.

Let it then be supposed, that the necessity existed, (as but for a casualty would be the case,) that proposals were made for obtaining a loan; that a number of individuals came forward and said, we are willing to accommodate the government with this money; with what we have in hand, and the credit we can raise upon it, we doubt not of being able to furnish the sum required. But in order to this, it is indispensable that we should be incorporated as a bank. This is essential towards putting it in our power to do what is desired, and we are obliged on that account to make it the *consideration or condition* of the loan.

Can it be believed that a compliance with this proposition would be unconstitutional? Does not this alone evince the contrary? It is a necessary part of a power to borrow, to be able to stipulate the considerations or conditions of a loan. It is evident,

as has been remarked elsewhere, that this is not confined to the mere stipulation of a franchise. If it may, (and it is not perceived why it may not,) then the grant of a corporate capacity may be stipulated as a consideration of the loan. There seems to be nothing unfit, or foreign from the nature of the thing, in giving individuality, or a corporate capacity, to a number of persons who are willing to lend a sum of money to the government, the better to enable them to do it, and make them an ordinary instrument of loans in future emergencies of state.

But the more general view of the subject is still more satisfactory. The legislative power of borrowing money, and of making all laws necessary and proper for carrying into execution that power, seems obviously competent to the appointment of the *organ* through which the abilities and wills of individuals may be most efficaciously exerted, for the accommodation of the government by loans.

The Attorney-General opposes to this reasoning the following observation. Borrowing money, presupposes the accumulation of a fund to be lent; and is secondary to the creation of an ability to lend. This is plausible in theory, but it is not true in fact. In a great number of cases, a previous accumulation of a fund equal to the whole sum required, does not exist; and nothing more can be actually presupposed, than that there exists resources, which, put into activity to the greatest advantage, by the nature of the operation with the government, will be equal to the effect desired to be produced. All the provisions and operations of government, must be presumed to contemplate things as they *really* are.

The institution of a bank has also a natural relation to the regulation of trade between the states,

in so far as it is conducive to the creation of a convenient medium of exchange between them, and to the keeping up a full circulation, by preventing the frequent displacement of the metals in reciprocal remittances. Money is the very hinge on which commerce turns. And this does not mean merely gold and silver; many other things have served the purpose with different degrees of utility. Paper has been extensively employed.

It cannot therefore be admitted with the Attorney-General, that the regulation of trade between the states, as it concerns the medium of circulation and exchange, ought to be considered as confined to coin. It is even supposeable that the whole, or the greatest part, of the coin of the country, might be carried out of it.

The Secretary of State objects to the relation here insisted upon, by the following mode of reasoning: To erect a bank, says he, and to regulate commerce, are very different acts. He who erects a bank, creates a subject of commerce. So does he who raises a bushel of wheat, or digs a dollar out of the mines; yet neither of these persons regulates commerce thereby. To make a thing which may be bought and sold, is not to prescribe regulations for *buying* and *selling*. This is making the regulation of commerce to consist in prescribing rules for buying and selling.

This indeed is a species of regulation of trade, but it is one which falls more aptly within the province of the local jurisdictions, than within that of the general government, whose care they must have presumed to have been intended to be directed to those general political arrangements concerning trade,

on which its aggregate interests depend, rather than to the details of buying and selling.

Accordingly, such only are the regulations to be found in the laws of the United States; whose objects are to give encouragement to the enterprise of our own merchants, and to advance our navigation and manufactures.

And it is in reference to these general relations of commerce, that an establishment which furnishes facilities to circulation, and a convenient medium of exchange and alienation, is to be regarded as a regulation of trade.

The Secretary of State further urges, that if this was a regulation of commerce, it would be *void*, as *extending* as much to the internal part of every state, as to its external. But what regulation of commerce does not extend to the internal commerce of every state? What are all the duties upon imported articles, amounting in some cases to prohibitions, but so many bounties upon domestic manufactures, affecting the interest of different classes of citizens in different ways? What are all the provisions in the coasting act, which relate to the trade between district and district of the same state? In short, what regulation of trade between the states, but must affect the internal trade of each state? what can operate upon the whole, but must extend to every part?

The relation of a bank to the execution of the powers that concern the common defence, has been anticipated. It has been noted, that at this very moment, the aid of such an institution is essential to the measure to be pursued for the protection of our frontiers.

It now remains to show, that the incorporation of

a bank, is within the operation of the provision, which authorizes Congress to make all needful rules and regulations concerning the property of the United States. But it is previously necessary to advert to a distinction which has been taken up by the Attorney-General.

He admits, that the word property may signify personal property, however acquired; and yet asserts, that it cannot signify money arising from the sources of revenue pointed out in the constitution, "because," says he, "the disposal and regulation of money is the final cause for raising it by taxes."

But it would be more accurate, to say, that the *object* to which money is intended to be applied, is the *final cause* for raising it, than that the disposal and regulation of it, is such. The support of a government, the support of troops for the common defence, the payment of the public debt, are the true final causes for raising money. The disposition and regulation of it when raised, are the steps by which it is applied to the *ends* for which it was raised, not the ends themselves. Hence, therefore, the money to be raised by taxes, as well as any other personal property, must be supposed to come within the meaning, as they certainly do within the letter, of authority to make all needful rules and regulations concerning the property of the United States.

A case will make this plainer. Suppose the public debt discharged, and the funds now pledged for it, liberated. In some instances it would be found expedient to repeal the taxes; in others, the repeal might injure our own industry, our agriculture, and manufactures. In these cases, they would, of course, be retained. Here, then, would be monies arising from the authorized sources of revenue, which would

not fall within the rule by which the Attorney-General endeavours to except them from other personal property, and from the operation of the clause in question.

The monies being in the coffers of government, what is to hinder such a disposition to be made of them as is contemplated in the bill; or what an incorporation of the parties concerned, under the clause which has been cited.

It is admitted, that with regard to the Western Territory, they give a power to erect a corporation; that is, to constitute a government. And by what rule of construction can it be maintained, that the same words, in a constitution of government, will not have the same effect when applied to one species of property as to another, as far as the subject is capable of it? Or that a legislative power to make all needful rules and regulations, or to pass all laws necessary and proper concerning the public property, which is admitted to authorize an incorporation, in one case, will not authorize it in another? will justify the institution of a government over the Western Territory, and will not justify the incorporation of a bank for the more useful management of the money of the nation? If it will do the last as well as the first, then, under this provision alone, the bill is constitutional, because it contemplates that the United States shall be joint proprietors of the stock of the bank.

There is an observation of the Secretary of State, to this effect, which may require notice in this place.—Congress, says he, are not to lay taxes ad libitum, *for any purpose they please*, but only to pay the debts, or provide for the welfare of the union. Certainly, no inference can be drawn from this.

against the power of applying their money for the institution of a bank. It is true, that they cannot, without breach of trust, lay taxes for any other purpose than the general welfare; but so neither can any other government. The welfare of the community is the only legitimate end for which money can be raised on the community. Congress can be considered as only under one restriction, which does not apply to other governments. They cannot rightfully apply the money they raise to any purpose, merely or purely local. But with this exception, they have as large a discretion, in relation to the application of money, as any legislature whatever.

The constitutional *test* of a right application, must always be, whether it be for a purpose of *general* or *local* nature. If the former, there can be no want of constitutional power. The quality of the object, as how far it will really promote, or not, the welfare of the Union, must be matter of conscientious discretion; and the arguments for or against a measure, in this light, must be arguments concerning expediency or inexpediency, not constitutional right; whatever relates to the general order of the finances, to the general interests of trade, &c. being general objects, are constitutional ones, for the *application of money*.

A bank, then, whose bills are to circulate in all the revenues of the country, is evidently a general object; and for that very reason, a constitutional one, as far as regards the appropriation of money to it, whether it will really be a beneficial one or not, is worthy of careful examination; but is no more a constitutional point, in the particular referred to, than the question, whether the western lands shall be sold for twenty or thirty cents per acre?

A hope is entertained, that by this time, it has been made to appear to the satisfaction of the President, that the bank has a natural relation to the power of collecting taxes; to that of regulating trade; to that of providing for the common defence; and that as the bill under consideration, contemplates the government in the light of a joint proprietor of the stock of the bank, it brings the case within the provision of the clause of the constitution which immediately respects the property of the United States.

Under a conviction, that such a relation subsists, the Secretary of the Treasury, with all deference, conceives, that it will result as a necessary consequence, from the position that all the specified powers of government are sovereign, as to the proper objects, that the incorporation of a bank is a constitutional measure: and that the objections, taken to the bill in this respect, are ill-founded.

But, from an earnest desire to give the utmost possible satisfaction to the mind of the President, on so delicate and important a subject, the Secretary of the Treasury will ask his indulgence, while he gives some additional illustrations of cases in which a power of erecting corporations may be exercised, under some of those heads of the specified powers of the government which are alleged to include the right of incorporating a bank.

1. It does not appear susceptible of a doubt, that if Congress had thought proper to provide in the collection law, that the bonds to be given for the duties, should be given to the collector of the district A. or B. as the case might require, to inure to him and his successors in office, in trust for the United States; that it would have been consistent

with the constitution to make such an arrangement. And yet this, it is conceived, would amount to an incorporation.

II. It is not an unusual expedient of taxation, to farm particular branches of revenue; that is, to sell or mortgage the product of them for certain definite sums, leaving the collection to the parties to whom they are mortgaged or sold. There are even examples of this in the United States. Suppose that there was any particular branch of revenue which it was manifestly expedient to place on this footing, and there were a number of persons willing to engage with the government, upon condition that they should be incorporated, and the funds vested in them as well for their greater safety, as for the more convenient recovery and management of the taxes; is it supposeable that there could be any constitutional obstacle to the measure? It is presumed that there could be none. It is certainly a mode of collection which it would be in the discretion of the government to adopt; though the circumstances must be very extraordinary, that would induce the Secretary to think it expedient.

III. Suppose a new and unexplored branch of trade should present itself with some foreign country. Suppose it was manifest, that to undertake it with advantage, required a union of the capitals of a number of individuals, and that those individuals would not be disposed to embark without an incorporation, as well to obviate the consequences of a private partnership, which makes every individual liable in his whole estate for the debts of the company to their utmost extent, as for the more convenient management of the business; what reason can there be to doubt, that the national government

would have a constitutional right to institute and incorporate such a company?—None.

They possess a general authority to regulate trade with foreign countries. This is a mean which has been practised to that end by all the principal commercial nations who have trading companies to this day, which have subsisted for centuries. Why may not the United States *constitutionally* employ the means usual in other countries for attaining the ends intrusted to them?

A power to make all needful rules and regulations concerning territory, has been construed to mean a power to erect a government. A power to regulate trade is a power to make all needful rules and regulations concerning trade. Why may it not, then, include that of erecting a trading company, as well as in other cases to erect a government?

It is remarkable that the state conventions, who had proposed amendments in relation to this point, have most, if not all of them, expressed themselves nearly thus: Congress shall not grant monopolies, nor *erect any company* with exclusive advantages of commerce! Thus at the same time expressing their sense, that the power to erect trading companies, or corporations, was inherent in Congress, and objecting to it no further, than as to the grant of *exclusive* privileges.

The Secretary entertains all the doubts which prevail concerning the utility of such companies; but he cannot fashion to his own mind a reason to induce a doubt that there is a constitutional authority in the United States to establish them. If such a reason were demanded, none could be given, unless it were this—that Congress cannot erect a corporation; which would be no better than to say,

they cannot do it, because they cannot do it. First presuming an inability without reason, and then assigning that inability as the cause of itself.

Illustrations of this kind might be multiplied without end. They shall, however, be pursued no further.

There is a sort of evidence on this point, arising from an aggregate view of the constitution, which is of no inconsiderable weight. The very general power of laying and collecting taxes, and appropriating their proceeds; that of borrowing money indefinitely; that of coining money and regulating foreign coins; that of making all needful rules and regulations respecting the property of the United States: These powers combined, as well as the reason and nature of the thing, speak strongly this language: that it is the manifest design and scope of the constitution, to vest in Congress all the powers requisite to the effectual administration of the finances of the United States. As far as concerns this object, there appears to be no parsimony of power.

To suppose then, that the government is precluded from the employment of so usual and so important an instrument for the administration of its finances as that of a bank, is to suppose what does not coincide with the general tenour and complexion of the constitution, and what is not agreeable to impressions that any mere spectator would entertain concerning it. Little less than a prohibiting clause can destroy the strong presumptions which result from the general aspect of the government. Nothing but demonstration should exclude the idea that the power exists.

To all questions of this nature, the practice of

mankind ought to have great weight against the theories of individuals.

The fact, for instance, that all the principal commercial nations have made use of trading corporations or companies, for the purpose of *external commerce*, is a satisfactory proof, that the establishment of them, is an incident to the regulation of commerce.

This other fact, that banks are an usual engine in the administration of national finances, and an ordinary, and the most effectual, instrument of loans, and one which, in this country, has been found essential, pleads strongly against the supposition, that a government clothed with most of the important prerogatives of sovereignty, in relation to its revenues, its debt, its credit, its defence, its trade, its intercourse with foreign nations, is forbidden to make use of that instrument as an appendage to its own authority.

It has been stated as an auxiliary test of constitutional authority, to try whether it abridges any preexisting right of any state or any individual. The proposed measure will stand the most severe examination on this point. Each state may still erect as many banks as it pleases; every individual may still carry on the banking business to any extent he pleases.

Another criterion may be this; whether the institution or thing has a more direct relation as to its uses—to the objects of the reserved powers of the state government, than to those of the powers delegated by the United States? This rule, indeed, is less precise than the former; but it may still serve as some guide. Surely a bank has more reference to the objects intrusted to the national government, than to those left to the care of the state govern-

ment. The common defence is decisive in this comparison.

It is presumed, that nothing of consequence in the observations of the Secretary of State and Attorney-General, has been left unnoticed.

There are, indeed, a variety of observations of the Secretary of State, designed to show, that the utilities ascribed to a bank, in relation to the collection of taxes and to trade, could be obtained without it. To analyze which would prolong the discussion beyond all bounds. It shall be forborne for two reasons: first, because the report concerning the bank, may speak for itself in this respect; and, secondly, because all those observations are grounded on the erroneous idea, that the *quantum* of necessity or utility, is the test of a constitutional exercise of power.

One or two remarks only shall be made; one is, that he has taken no notice of a *very essential* advantage to trade in general, which is mentioned in the report as peculiar to the existence of a bank-circulation, equal, in the public estimation, to gold and silver. It is this that renders it unnecessary to lock up the money of the country to accumulate for months successively, in order to the periodical payment of interest. The other is this: that his arguments, to show that treasury-orders and bills of exchange, from the course of trade, will prevent any considerable displacement of the metals, are founded on a particular view of the subject. A case will prove this. The sums collected in a state, may be small in comparison with the debt due to it. The balance of its trade, direct and circuitous with the seat of government, may be even, or nearly so. Here, then, without bank bills, which in that state answer

the purpose of coin, there must be a displacement of the coin, in proportion to the difference between the sum collected in the state, and that to be paid in it. With bank bills no such displacement would take place; or, as far as it did, it would be gradual and insensible. In many other ways, also, would there be at least a temporary and inconvenient displacement of the coin, even where the course of trade would eventually return it to its proper channels.

The difference of the two situations, in point of convenience to the treasury, can only be appreciated by one who experiences the embarrassments of making provision for the payment of the interest on a stock, continually changing place in thirteen different places.

One thing which has been omitted, just occurs, although it is not very material to the main argument: The Secretary of State affirms, that the bill only contemplates a re-payment, not a loan to the government. But here he is certainly mistaken. It is true, the government invests in the stock of the bank, a sum equal to that which it receives on loans. But let it be remembered, that it does not, therefore, cease to be a proprietor of the stock, which would be the case, if the money received back were in the nature of a payment. It remains a proprietor still, and will share in the profit or loss of the institution, according as the dividend is more or less than the interest it is to pay on the sum borrowed. Hence, that sum is manifestly, and in the strictest sense, a loan.

ALEXANDER HAMILTON.

Philadelphia, Feb. 23, 1791.

REPORT

ON THE SUBJECT OF

MANUFACTURES.

The SECRETARY *of the* TREASURY, *in obedience to the Order of the* HOUSE *of* REPRESENTATIVES, *of the 15th Day of January,* 1790, *has applied his attention, at as early a period as his other duties would permit, to the subject of* MANUFACTURES; *and particularly to the Means of promoting such as will tend to render the* UNITED STATES *independent on foreign nations, for Military and other essential Supplies:*

And he thereupon Respectfully submits the following

REPORT.

THE expediency of encouraging manufactures in the United States, which was not long since deemed very questionable, appears at this time to be pretty generally admitted. The embarrassments which have obstructed the progress of our external trade, have led to serious reflections on the necessity of enlarging the sphere of our domestic commerce: the restrictive regulations, which in foreign markets abridge the vent of the increasing surplus of our agricultural produce, serve to beget an earnest desire, that a more extensive demand for that surplus may be created at home: And the complete success which has rewarded manufacturing enterprise, in

some valuable branches, conspiring with the promising symptoms which attend some less mature essays in others, justify a hope, that the obstacles to the growth of this species of industry, are less formidable than they were apprehended to be; and that it is not difficult to find, in its further extension, a full indemnification for any external disadvantages, which are or may be experienced, as well as an accession of resources, favourable to national independence and safety.

There still are, nevertheless, respectable patrons of opinions, unfriendly to the encouragement of manufactures.—The following are, substantially, the arguments by which these opinions are defended:

"In every country, (say those who entertain them,) agriculture is the most beneficial and *productive* object of human industry. This position, generally, if not universally true, applies with peculiar emphasis to the United States, on account of their immense tracts of fertile territory, uninhabited and unimproved. Nothing can afford so advantageous an employment for capital and labour, as the conversion of this extensive wilderness into cultivated farms. Nothing equally with this, can contribute to the population, strength, and real riches of the country."

"To endeavour, by the extraordinary patronage of government, to accelerate the growth of manufactures, is in fact, to endeavour, by force and art, to transfer the natural current of industry, from a more to a less beneficial channel. Whatever has such a tendency, must necessarily be unwise. Indeed it can hardly ever be wise in a government, to attempt to give a direction to the industry of its citizens. This, under the quick-sighted guidance of private interest, will, if left to itself, infallibly find its own

way to the most profitable employment; and it is by such employment, that the public prosperity will be most effectually promoted. To leave industry to itself, therefore, is, in almost every case, the soundest as well as the simplest policy."

"This policy is not only recommended to the United States, by considerations which affect all nations; it is, in a manner, dictated to them by the imperious force of a very peculiar situation. The smallness of their population, compared with their territory; the constant allurements to emigration from the settled to the unsettled parts of the country; the facility with which the less independent condition of an artisan can be exchanged for the more independent condition of a farmer; these, and similar causes, conspire to produce, and for a length of time must continue to occasion, a scarcity of hands for manufacturing occupation, and dearness of labour generally. To these disadvantages for the prosecution of manufactures, a deficiency of pecuniary capital being added, the prospect of a successful competition with the manufacturers of Europe, must be regarded as little less than desperate. Extensive manufactures can only be the offspring of a redundant, at least of a full, population. Till the latter shall characterize the situation of this country, it is vain to hope for the former."

"If, contrary to the natural course of things, an unseasonable and premature spring can be given to certain fabrics, by heavy duties, prohibitions, bounties, or by other forced expedients; this will only be to sacrifice the interests of the community to those of particular classes. Besides the misdirection of labour, a virtual monopoly will be given to the persons employed on such fabrics; and an enhance-

ment of price, the inevitable consequence of every monopoly, must be defrayed at the expense of the other parts of the society. It is far preferable, that those persons should be engaged in the cultivation of the earth, and that we should procure, in exchange for its productions, the commodities, with which foreigners are able to supply us in greater perfection, and upon better terms."

This mode of reasoning is founded upon facts and principles, which have certainly respectable pretensions. If it had governed the conduct of nations, more generally than it has done, there is room to suppose, that it might have carried them faster to prosperity and greatness, than they have attained by the pursuit of maxims too widely opposite. Most general theories, however, admit of numerous exceptions; and there are few, if any, of the political kind, which do not blend a considerable portion of error with the truths they inculcate.

In order to an accurate judgment how far that which has been just stated, ought to be deemed liable to a similar imputation, it is necessary to advert carefully to the considerations which plead in favour of manufactures, and which appear to recommend the special and positive encouragement of them in certain cases, and under certain reasonable limitations.

It ought readily to be conceded, that the cultivation of the earth, as the primary and most certain source of national supply; as the immediate, and chief source of subsistence to man; as the principal source of those materials which constitute the nutriment of other kinds of labour; as including a state most favourable to the freedom and independence of the human mind; one, perhaps, most conducive to

the multiplication of the human species; has *intrinsically a strong claim to pre-eminence over every other kind of industry.*

But, that it has a title to any thing like an exclusive predilection, in any country, ought to be admitted with great caution. That it is even more productive than every other branch of industry, requires more evidence than has yet been given in support of the position. That its real interests, precious and important as, without the help of exaggeration, they truly are, will be advanced, rather than injured by the due encouragement of manufactures, may, it is believed, be satisfactorily demonstrated. And it is also believed, that the expediency of such encouragement, in a general view, may be shown to be recommended by the most cogent and persuasive motives of national policy.

It has been maintained, that agriculture is not only the most productive, but the only productive species of industry. The reality of this suggestion, in either respect, has, however, not been verified by any accurate detail of facts and calculations; and the general arguments, which are adduced to prove it, are rather subtil and paradoxical, than solid or convincing.

Those which maintain its exclusive productiveness are to this effect:—

Labour, bestowed upon the cultivation of land, produces enough, not only to replace all the necessary expenses incurred in the business, and to maintain the persons who are employed in it; but to afford, together with the *ordinary profit* on the stock or capital of the farmer, a neat surplus, or *rent*, for the landlord or proprietor of the soil. But the labour of artificers does nothing more than replace the

stock which employs them, (or which furnishes materials, tools, and wages,) and yield the *ordinary profit* upon that stock. It yields nothing equivalent to the *rent* of land. Neither does it add any thing to the *total value* of the *whole annual produce* of the land and labour of the country. The additional value given to those parts of the produce of land, which are wrought into manufactures, is counterbalanced by the value of those other parts of that produce, which are consumed by the manufacturers. It can, therefore, only be by saving or *parsimony*, not by the positive *productiveness* of their labour, that the classes of artificers can in any degree augment the revenue of the society.

To this it has been answered,

1. " That inasmuch as it is acknowledged, that manufacturing labour re-produces a value equal to that which is expended or consumed in carrying it on, and continues in existence the original stock or capital employed, it ought on that account alone, to escape being considered as wholly unproductive. That though it should be admitted, as alleged, that the consumption of the produce of the soil, by the classes of artificers or manufacturers, is exactly equal to the value added by their labour to the materials upon which it is exerted; yet, it would not thence follow, that it added nothing to the revenue of the society, or to the aggregate value of the annual produce of its land and labour. If the consumption for any given period, amounted to a *given sum*, and the *increased* value of the produce manufactured, in the same period, to a *like sum*, the total amount of the consumption and production, during that period, would be equal to the *two sums;* and, consequently, double the value of the agricultural produce con-

sumed. And though the increment of value produced by the classes of artificers, should at no time exceed the value of the produce of the land consumed by them, yet there would be at every moment, in consequence of their labour, a greater value of goods in the market than would exist independent of it."

2. "That the position, that artificers can augment the revenue of a society, only by parsimony, is true in no other sense, than in one which is equally applicable to husbandmen or cultivators. It may be alike affirmed of all these classes, that the fund acquired by their labour and destined for their support, is not, in an ordinary way, more than equal to it. And hence it will follow, that augmentations of the wealth or capital of the community, (except in the instances of some extraordinary dexterity or skill,) can only proceed, with respect to any of them, from the savings of the more thrifty and parsimonious."

3. "That the annual produce of the land and labour of a country, can only be increased in two ways—by some improvement in the *productive powers* of the useful labour, which actually exists within it, or by some increase in the quantity of such labour: That with regard to the first, the labour of artificers being capable of greater subdivision and simplicity of operation, than that of cultivators, it is susceptible, in a proportionably greater degree, of improvement in its *productive powers*, whether to be derived from an accession of skill, or from the application of ingenious machinery; in which particular, therefore, the labour employed in the culture of land can pretend to no advantage over that engaged in manufactures: That with regard to an augmenta-

tion of the quantity of useful labour, this, excluding adventitious circumstances, must depend essentially upon an increase of *capital*, which again must depend upon the savings made out of the revenues of those, who furnish or manage *that*, which is at any time employed, whether in agriculture, or in manufactures, or in any other way."

But while the *exclusive* productiveness of agricultural labour has been thus denied and refuted, the superiority of its productiveness has been conceded without hesitation. As this concession involves a point of considerable magnitude, in relation to maxims of public administration, the grounds on which it rests are worthy of a distinct and particular examination.

One of the arguments made use of, in support of the idea, may be pronounced both quaint and superficial. It amounts to this—That in the productions of the soil, nature co-operates with man; and that the effect of their joint labour must be greater than that of the labour of man alone.

This, however, is far from being a necessary inference. It is very conceivable, that the labour of man alone laid out upon a work, requiring great skill and art to bring it to perfection, may be more productive in *value* than the labour of nature and man combined, when directed towards more simple operations and objects. And when it is recollected to what an extent the agency of nature, in the application of the mechanical powers, is made auxiliary to the prosecution of manufactures, the suggestion which has been noticed, loses even the appearance of plausibility.

It might also be observed, with a contrary view, that the labour employed in agriculture is in a great mea-

sure periodical and occasional, depending on seasons, and liable to various and long intermissions; while that occupied in many manufactures, is constant and regular, extending through the year, embracing, in some instances, night as well as day. It is also probable, that there are among the cultivators of land, more examples of remissness, than among artificers. The farmer, from the peculiar fertility of his land, or some other favourable circumstance, may frequently obtain a livelihood, even with a considerable degree of carelessness in the mode of cultivation; but the artisan can with difficulty effect the same object, without exerting himself pretty equally with all those who are engaged in the same pursuit. And if it may likewise be assumed as a fact, that manufactures open a wider field to exertions of ingenuity than agriculture, it would not be a strained conjecture, that the labour employed in the former, being at once more *constant*, more uniform, and more ingenious, than that which is employed in the latter, will be found at the same time more productive.

But it is not meant to lay stress on observations of this nature; they ought only to serve as a counterbalance to those of a similar complexion. Circumstances so vague and general, as well as so abstract, can afford little instruction in a matter of this kind.

Another, and that which seems to be the principal argument offered for the superior productiveness of agricultural labour, turns upon the allegation, that labour employed on manufactures yields nothing equivalent to the rent of land; or to that neat-surplus, as it is called, which accrues to the proprietor of the soil.

But this distinction, important as it has been deemed, appears rather *verbal* than *substantial*.

It is easily discernible, that what in the first instance is divided into two parts, under the denominations of the *ordinary profit* of the stock of the farmer, and *rent* to the landlord, is in the second instance united under the general appellation of the *ordinary profit* on the stock of the undertaker; and that this formal or verbal distribution constitutes the whole difference in the two cases. It seems to have been overlooked, that the land is itself a stock or capital, advanced or lent by its owner to the occupier or tenant; and that the rent he receives is only the ordinary profit of a certain stock in land, not managed by the proprietor himself, but by another to whom he lends or lets it; and who, on his part, advances a second capital to stock and improve the land, upon which he also receives the usual profit. The rent of the landlord, and the profit of the farmer, are therefore nothing more than the *ordinary profits* of *two* capitals, belonging to *two* different persons, and united in the cultivation of a farm: As in the other case, the surplus which arises upon any manufactory, after replacing the expenses of carrying it on, answers to the ordinary profits of *one* or *more* capitals engaged in the prosecution of such manufactory. It is said *one* or *more* capitals; because in fact, the same thing which is contemplated in the case of a farm, sometimes happens in that of a manufactory. There is one, who furnishes a part of the capital, or lends a part of the money, by which it is carried on, and another, who carries it on, with the addition of his own capital. Out of the surplus which remains, after defraying expenses, an interest is paid to the money lender, for the portion of the capital furnished by him, which exactly agrees with the rent paid to the landlord; and the residue of that surplus con-

stitutes the profit of the undertaker or manufacturer; and agrees with what is denominated the ordinary profits on the stock of the farmer. Both together make the ordinary profits of two capitals employed in a manufactory: as in the other case the rent of the landlord, and the revenue of the farmer, compose the ordinary profits of two capitals, employed in the cultivation of a farm.

The rent therefore, accruing to the proprietor of the land, far from being a criterion of *exclusive* productiveness, as has been argued, is no criterion even of *superior* productiveness. The question must still be, whether the surplus, after defraying expenses of a *given capital*, employed in the *purchase* and *improvement* of a piece of land, is greater or less, than that of a like capital employed in the prosecution of a manufactory; or whether the *whole value produced* from a *given capital* and a *given quantity of labour*, employed in one way, be greater or less than the *whole value produced* from an *equal capital* and an *equal quantity of labour* employed in the other way; or rather, perhaps, whether the business of agriculture, or that of manufactures, will yield the greatest product, according to a *compound ratio* of the quantity of the capital, and the quantity of labour, which are employed in the one or in the other.

The solution of either of these questions is not easy; it involves numerous and complicated details, depending on an accurate knowledge of the objects to be compared. It is not known that the comparison has ever yet been made upon sufficient data properly ascertained and analyzed. To be able to make it on the present occasion with satisfactory precision, would demand more previous inquiry and investigation,

than there has been hitherto either leisure or opportunity to accomplish.

Some essays, however, have been made towards acquiring the requisite information; which have rather served to throw doubt upon, than to confirm, the hypothesis under examination. But it ought to be acknowledged, that they have been too little diversified, and are too imperfect to authorize a definitive conclusion either way; leading rather to probable conjecture, than to certain deduction. They render it probable, that there are various branches of manufactures, in which a given capital will yield a greater *total* product, and a considerably greater *neat* product, than an equal capital invested in the purchase and improvement of lands; and that there are also *some* branches, in which both the *gross* and the *neat* produce will exceed that of agricultural industry, according to a compound ratio of capital and labour. But it is on this last point, that there appears to be the greatest room for doubt. It is far less difficult to infer generally, that the *neat produce* of capital engaged in manufacturing enterprises is greater than that of capital engaged in agriculture.

The foregoing suggestions are *not designed to inculcate an opinion that manufacturing industry is more productive than that of agriculture.* They are intended rather to show, that the reverse of this proposition, is not ascertained; that the general arguments which are brought to establish it, are not satisfactory; and consequently, that a supposition of the superior productiveness of tillage, ought to be no obstacle to listening to any substantial inducements to the encouragement of manufactures, which may be otherwise perceived to exist, through an apprehension,

that they may have a tendency to divert labour from a more, to a less, profitable employment.

It is extremely probable, that on a full and accurate developement of the matter, on the ground of fact and calculation, it would be discovered, that there is no material difference between the aggregate productiveness of the one, and of the other kind of industry; and that the propriety of the encouragements, which may in any case be proposed to be given to either, ought to be determined upon considerations irrelative to any comparison of that nature.

II. But, without contending for the superior productiveness of manufacturing industry, it may conduce to a better judgment of the policy which ought to be pursued respecting its encouragement, to contemplate the subject, under some additional aspects, tending not only to confirm the idea, that this kind of industry has been improperly represented as unproductive in itself; but to evince, in addition, that the establishment and diffusion of manufactures have the effect of rendering the total mass of useful and productive labour, in a community, *greater than it would otherwise be.* In prosecuting this discussion, it may be necessary briefly to resume and review some of the topics which have been already touched.

To affirm that the labour of the manufacturer is unproductive, because he consumes as much of the produce of land as he adds value to the raw materials which he manufactures, is not better founded, than it would be to affirm, that the labour of the farmer, which furnishes materials to the manufacturer, is unproductive, *because he consumes an equal value of manufactured articles.* Each furnishes a cer-

tain portion of the produce of his labour to the other, and each destroys a correspondent portion of the produce of the labour of the other. In the mean time, the maintenance of two citizens, instead of one, is going on; the state has two members instead of one; and they together consume twice the value of what is produced from the land.

If, instead of a farmer and artificer, there were a farmer only, he would be under the necessity of devoting a part of his labour to the fabrication of clothing and other articles, which he would procure of the artificer, in the case of there being such a person; and, of course, he would be able to devote less labour to the cultivation of his farm, and would draw from it a proportionably less product. The whole quantity of production, in this state of things, in provisions, raw materials, and manufactures, would certainly not exceed in value the amount of what would be produced in provisions and raw materials only, if there were an artificer as well as a farmer.

Again—If there were both an artificer and a farmer, the latter would be left at liberty to pursue exclusively the cultivation of his farm. A greater quantity of provisions and raw materials would of course be produced, equal, at least, as has been already observed, to the whole amount of the provisions, raw materials, and manufactures, which would exist on a contrary supposition. The artificer, at the same time, would be going on in the production of manufactured commodities; to an amount sufficient not only to repay the farmer, in those commodities, for the provisions and materials which were procured from; him but to furnish the artificer himself with a supply of similar commodities for his own use.

Thus, then, there would be two quantities or values in existence instead of one; and the revenue and consumption would be double in one case, what it would be in the other.

If in place of both these suppositions, there were supposed to be two farmers and no artificer, each of whom applied a part of his labour to the culture of land, and another part to the fabrication of manufactures; in this case, the portion of the labour of both, bestowed upon land, would produce the same quantity of provisions and raw materials only, as would be produced by the entire sum of the labour of one applied in the same manner; and the portion of the labour of both bestowed upon manufactures, would produce the same quantity of manufactures only, as would be produced by the entire sum of the labour of one applied in the same manner. Hence the produce of the labour of the two farmers would not be greater than the produce of the labour of the farmer and artificer; and hence it results, that the labour of the artificer is as positively productive as that of the farmer, and as positively augments the revenue of the society.

The labour of the artificer replaces to the farmer that portion of his labour with which he provides the materials of exchange with the artificer, and which he would otherwise have been compelled to apply to manufactures; and while the artificer thus enables the farmer to enlarge his stock of agricultural industry, a portion of which he purchases for his own use, *he also supplies himself with the manufactured articles of which he stands in need.* He does still more —Besides this equivalent which he gives for the portion of agricultural labour consumed by him, and this supply of manufactured commodities for his own

consumption, he furnishes still a surplus, which compensates for the use of the capital advanced, either by himself or some other person, for carrying on the business. This is the ordinary profit of the stock employed in the manufactory, and is, in every sense, as effective an addition to the income of the society, as the rent of land.

The produce of the labour of the artificer, consequently, may be regarded as composed of three parts; one, by which the provisions for his subsistence, and the materials for his work, are purchased of the farmer; one, by which he supplies himself with manufactured necessaries; and a third, which constitutes the profit on the stock employed. The two last portions seem to have been overlooked, in the system which represents manufacturing industry as barren and unproductive.

In the course of the preceding illustrations, the products of equal quantities of the labour of the farmer and artificer have been treated as if equal to each other. But this is not to be understood as intending to assert any such precise equality. It is merely a manner of expression adopted for the sake of simplicity and perspicuity. Whether the value of the produce of the labour of the farmer, be somewhat more or less than that of the artificer, is not material to the main scope of the argument; which hitherto has only aimed at showing, that the one, as well as the other, occasions a positive augmentation of the total produce and revenue of the society.

It is now proper to proceed a step further, and to enumerate the principal circumstances, from which it may be inferred, that manufacturing establishments, not only occasion a positive augmentation of the produce and revenue of the society, but that

they contribute essentially to rendering them greater than they could possibly be, without such establishments. These circumstances are,

1. The division of labour.

2. An extension of the use of machinery.

3. Additional employment to classes of the community not ordinarily engaged in the business.

4. The promoting of emigration from foreign countries.

5. The furnishing greater scope for the diversity of talents and dispositions which discriminate men from each other.

6. The affording a more ample and various field for enterprise.

7. The creating, in some instances, a new, and securing in all, a more certain and steady demand for the surplus produce of the soil.

Each of these circumstances has a considerable influence upon the total mass of industrious effort in a community: together, they add to it a degree of energy and effect, which are not easily conceived. Some comments upon each of them, in the order in which they have been stated, may serve to explain their importance.

I. *As to the division of labour.*—

It has justly been observed, that there is scarcely any thing of greater moment in the economy of a nation, than the proper division of labour. The separation of occupations, causes each to be carried to a much greater perfection than it could possibly acquire, if they were blended. This arises principally from three circumstances.

1st. The greater skill and dexterity naturally resulting from a constant and undivided application to

a single object. It is evident, that these properties must increase, in proportion to the separation and simplification of objects, and the steadiness of the attention devoted to each; and must be less, in proportion to the complication of objects, and the number among which the attention is distracted.

2d. The economy of time, by avoiding the loss of it, incident to a frequent transition from one operation to another of a different nature. This depends on various circumstances; the transition itself, the orderly disposition of the implements, machines, and materials employed in the operation to be relinquished; the preparatory steps to the commencement of a new one, the interruption of the impulse, which the mind of the workman acquires, from being engaged in a particular operation; the distractions, hesitations, and reluctances, which attend the passage from one kind of business to another.

3d. An extension of the use of machinery.—A man occupied on a single object will have it more in his power, and will be more naturally led to exert his imagination in devising methods to facilitate and abridge labour, than if he were perplexed by a variety of independent and dissimilar operations. Besides this, the fabrication of machines, in numerous instances, becoming itself a distinct trade, the artist who follows it, has all the advantages which have been enumerated, for improvement in his particular art; and in both ways, the invention and application of machinery are extended.

And from these causes united, the mere separation of the occupation of the cultivator, from that of the artificer, has the effect of augmenting the *productive powers* of labour, and with them, the total mass of the produce or revenue of a country. In this

single view of the subject, therefore, the utility of artificers or manufacturers, towards promoting an increase of productive industry, is apparent.

II. *As to an extension of the use of machinery, a point which, though partly anticipated, requires to be placed in one or two additional lights.*

The employment of machinery forms an item of great importance in the general mass of national industry. It is an artificial force, brought in aid of the natural force of man; and, to all the purposes of labour, is an increase of hands; an accession of strength, *unincumbered too by the expense of maintaining the labourer.* May it not therefore be fairly inferred, that those occupations, which give greatest scope to the use of this auxiliary, contribute most to the general stock of industrious effort, and, in consequence, to the general product of industry?

It shall be taken for granted, and the truth of the position referred to observation, that manufacturing pursuits are susceptible in a greater degree of the application of machinery, than those of agriculture. If so, all the difference is lost to a community, which, instead of manufacturing for itself, procures the fabrics requisite to its supply from other countries. The substitution of foreign for domestic manufactures, is a transfer to foreign nations of the advantages accruing from the employment of machinery, in the modes in which it is capable of being employed, with most utility, and to the greatest extent.

The cotton mill invented in England, within the last twenty years, is a signal illustration of the general proposition, which has been just advanced. In consequence of it, all the different processes for spinning cotton, are performed by means of machines, which are put in motion by water, and attended chief-

ly by women and children; and by a smaller number of persons, in the whole, than are requisite in the ordinary mode of spinning. And it is an advantage of great moment that the operations of this mill continue with convenience, during the night, as well as through the day. The prodigious effect of such a machine is easily conceived. To this invention is to be attributed essentially the immense progress, which has been so suddenly made in Great-Britain, in the various fabrics of cotton.

III. *As to the additional employment of classes of the community, not originally engaged in the particular business.*

This is not among the least valuable of the means, by which manufacturing institutions contribute to augment the general stock of industry and production. In places where those institutions prevail, besides the persons regularly engaged in them, they afford occasional and extra employment to industrious individuals and families, who are willing to devote the leisure resulting from the intermissions of their ordinary pursuits to collateral labours, as a resource for multiplying their acquisitions or their enjoyments. The husbandman himself experiences a new source of profit and support, from the increased industry of his wife and daughters; invited and stimulated by the demands of the neighbouring manufactories.

Beside this advantage of occasional employment to classes having different occupations, there is another of a nature allied to it, and of a similar tendency. This is, the employment of persons who would otherwise be idle, (and in many cases a burthen on the community,) either from the bias of temper, habit, infirmity of body, or some other cause, indisposing or disqualifying them for the toils of the country.

It is worthy of particular remark, that, in general, women and children are rendered more useful, and the latter more early useful, by manufacturing establishments, than they would otherwise be. Of the number of persons employed in the cotton manufactories of Great-Britain, it is computed that four-sevenths nearly are women and children; of whom the greatest proportion are children, and many of them of a tender age.

And thus it appears to be one of the attributes of manufactures, and one of no small consequence, to give occasion to the exertion of a greater quantity of industry, even by the *same number* of persons, where they happen to prevail, than would exist, if there were no such establishments.

IV. *As to the promoting of emigration from foreign countries.*

Men reluctantly quit one course of occupation and livelihood for another, unless invited to it by very apparent and proximate advantages. Many, who would go from one country to another, if they had a prospect of continuing, with more benefit, the callings to which they have been educated; will often not be tempted to change their situation by the hope of doing better in some other way. Manufacturers who, listening to the powerful invitations of a better price for their fabrics, or their labour; of greater cheapness of provisions and raw materials; of an exemption from the chief part of the taxes, burthens, and restraints, which they endure in the old world; of greater personal independence and consequence, under the operation of a more equal government; and of what is far more precious than mere religious toleration, a perfect equality of religious privileges; would probably flock from Europe

to the United States to pursue their own trades or professions, if they were once made sensible of the advantages they would enjoy, and were inspired with an assurance of encouragement and employment—will with difficulty, be induced to transplant themselves, with a view to becoming cultivators of land.

If it be true, then, that it is the interest of the United States to open every possible avenue to emigration from abroad, it affords a weighty argument for the encouragement of manufactures; which, for the reasons just assigned, will have the strongest tendency to multiply the inducements to it.

Here is perceived an important resource, not only for extending the population, and with it the useful and productive labour of the country; but likewise for the prosecution of manufactures, without deducting from the number of hands, which might otherwise be drawn to tillage; and even for the indemnification of agriculture for such as might happen to be diverted from it. Many, whom manufacturing views would induce to emigrate, would afterwards yield to the temptations, which the particular situation of this country holds out to agricultural pursuits. And while agriculture would in other respects derive many signal and unmingled advantages, from the growth of manufactures, it is a problem whether it would gain or lose, as to the article of the number of persons employed in carrying it on.

V. *As to the furnishing greater scope for the diversity of talents and dispositions, which discriminate men from each other.*

This is a much more powerful mean of augmenting the fund of national industry, than may at first

sight appear. It is a just observation, that minds of the strongest and most active powers for their proper objects, fall below mediocrity, and labour without effect, if confined to uncongenial pursuits. And it is thence to be inferred, that the results of human exertion may be immensely increased by diversifying its objects. When all the different kinds of industry obtain in a community, each individual can find his proper element, and can call into activity the whole vigour of his nature. And the community is benefited by the services of its respective members, in the manner in which each can serve it with most effect.

If there be any thing in a remark often to be met with, namely, that there is, in the genius of the people of this country, a peculiar aptitude for mechanic improvements, it would operate as a forcible reason for giving opportunities to the exercise of that species of talent, by the propagation of manufactures.

VI. *As to the affording a more ample and various field for enterprise.*

This also is of greater consequence in the general scale of national exertion, than might, perhaps, on a superficial view, be supposed; and has effects not altogether dissimilar from those of the circumstance last noticed. To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients, by which the wealth of a nation may be promoted. Even things in themselves, not positively advantageous, sometimes become so, by their tendency to provoke exertion. Every new scene which is opened to the busy nature of man, to rouse and exert itself, is the addition of a new energy to to the general stock of effort.

The spirit of enterprise, useful and prolific as it is, must necessarily be contracted or expanded in proportion to the simplicity or variety of the occupations and productions, which are to be found in a society. It must be less in a nation of mere cultivators, than in a nation of cultivators and merchants; less in a nation of cultivators and merchants, than in a nation of cultivators, artificers, and merchants.

VII. *As to the creating, in some instances, a new, and securing in all, a more certain and steady demand, for the surplus produce of the soil.*

This is among the most important of the circumstances which have been indicated. It is a principal mean, by which the establishment of manufactures contributes to an augmentation of the produce or revenue of a country, and has an immediate and direct relation to the prosperity of agriculture.

It is evident, that the exertions of the husbandman will be steady or fluctuating, vigorous or feeble, in proportion to the steadiness or fluctuation, adequateness, or inadequateness, of the markets on which he must depend for the vent of the surplus which may be produced by his labour; and that such surplus, in the ordinary course of things, will be greater or less in the same proportion.

For the purpose of this vent, a domestic market is greatly to be preferred to a foreign one; because it is, in the nature of things, far more to be relied upon.

It is a primary object of the policy of nations, to be able to supply themselves with subsistence from their own soils; and manufacturing nations, as far as circumstances permit, endeavour to procure from the same source, the raw materials necessary for their

own fabrics. This disposition, urged by the spirit of monopoly, is sometimes even carried to an injudicious extreme. It seems not always to be recollected, that nations, who have neither mines nor manufactures, can only obtain the manufactured articles of which they stand in need, by an exchange of the products of their soils; and that, if those who can best furnish them with such articles, are unwilling to give a due course to this exchange, they must of necessity make every possible effort to manufacture for themselves; the effect of which is, that the manufacturing nations abridge the natural advantages of their situation, through an unwillingness to permit the agricultural countries to enjoy the advantages of theirs; and sacrifice the interests of a mutually beneficial intercourse, to the vain project of *selling every thing*, and *buying nothing*.

But it is also a consequence of the policy which has been noted, that the foreign demands for the products of agricultural countries, is in a great degree, rather casual and occasional, than certain or constant. To what extent injurious interruptions of the demand for some of the staple commodities of the United States may have been experienced, from that cause, must be referred to the judgment of those who are engaged in carrying on the commerce of the country; but it may be safely affirmed, that such interruptions are at times very inconveniently felt, and that cases not unfrequently occur, in which markets are so confined and restricted, as to render the demand very unequal to the supply.

Independently, likewise, of the artificial impediments, which are created by the policy in question, there are natural causes tending to render the external

demand for the surplus of agricultural nations a precarious reliance. The differences of seasons, in the countries which are the consumers, make immense differences in the produce of their own soils, in different years; and consequently in the degrees of their necessity for foreign supply. Plentiful harvests with them, especially if similar ones occur at the same time in the countries which are the furnishers, occasion of course a glut in the markets of the latter.

Considering how fast and how much the progress of new settlements in the United States must increase the surplus produce of the soil; and weighing seriously the tendency of the system, which prevails among most of the commercial nations of Europe; whatever dependence may be placed on the force of natural circumstances to counteract the effects of an artificial policy; there appear strong reasons to regard the foreign demand for that surplus as too uncertain a reliance, and to desire a substitute for it, in an extensive domestic market.

To secure such a market, there is no other expedient, than to promote manufacturing establishments. Manufacturers, who constitute the most numerous class, after the cultivators of land, are for that reason the principal consumers of the surplus of their labour.

This idea of an extensive domestic market for the surplus produce of the soil, is of the first consequence. It is of all things, that which most effectually conduces to a flourishing state of agriculture. If the effect of manufactories should be to detach a portion of the hands, which would otherwise be engaged in tillage, it might possibly cause a smaller quantity of lands to be under cultivation; but by their tendency

to procure a more certain demand for the surplus produce of the soil, they would at the same time, cause the lands which were in cultivation, to be better improved, and more productive. And while, by their influence, the condition of each individual farmer would be meliorated, the total mass of agricultural production would probably be increased. For this must evidently depend as much upon the degree of improvement, if not more, than upon the number of acres under culture.

It merits particular observation, that the multiplication of manufactories, not only furnishes a market for those articles which have been accustomed to be produced in abundance in a country; but it likewise creates a demand for such as were either unknown, or produced in inconsiderable quantities. The bowels, as well as the surface of the earth, are ransacked for articles which were before neglected. Animals, plants, and minerals, acquire an utility and value which were before unexplored.

The foregoing considerations seem sufficient to establish, as general propositions, that it is the interest of nations to diversify the industrious pursuits of the individuals who compose them.—That the establishment of manufactures is calculated, not only to increase the general stock of useful and productive labour; but even to improve the state of agriculture in particular; certainly to advance the interests of those who are engaged in it. There are other views, that will be hereafter taken of the subject, which, it is conceived, will serve to confirm these inferences.

III. Previously to a further discussion of the objections to the encouragement of manufactures which have been stated, it will be of use to see what can be said in reference to the particular situation of the

United States, against the conclusions appearing to result from what has been already offered.

It may be observed, and the idea is of no inconsiderable weight, that however true it might be, that a state which, possessing large tracts of vacant and fertile territory, was at the same time secluded from foreign commerce, would find its interest and the interest of agriculture, in diverting a part of its population from tillage to manufactures; yet it will not follow, that the same is true of a state, which, having such vacant and fertile territory, has at the same time ample opportunity of procuring from abroad, on good terms, all the fabrics of which it stands in need, for the supply of its inhabitants. The power of doing this, at least, secures the great advantage of a division of labour, leaving the farmer free to pursue exclusively the culture of his land, and enabling him to procure with its products the manufactured supplies requisite either to his wants or to his enjoyments. And though it should be true, that in settled countries, the diversification of industry is conducive to an increase in the productive powers of labour, and to an augmentation of revenue and capital; yet it is scarcely conceivable that there can be any thing of so solid and permanent advantage to an uncultivated and unpeopled country, as to convert its wastes into cultivated and inhabited districts. If the revenue, in the mean time, should be less, the capital, in the event, must be greater.

To these observations, the following appears to be a satisfactory answer—

1. If the system of perfect liberty to industry and commerce were the prevailing system of nations, the arguments which dissuade a country in the predicament of the United States, from the zealous pur-

suit of manufactures would, doubtless, have great force. It will not be affirmed, that they might not be permitted, with few exceptions, to serve as a rule of national conduct. In such a state of things, each country would have the full benefit of its peculiar advantages, to compensate for its deficiencies or disadvantages. If one nation were in a condition to supply manufactured articles on better terms than another, that other might find an abundant indemnification in a superior capacity to furnish the produce of the soil. And a free exchange, mutually beneficial, of the commodities which each was able to supply, on the best terms, might be carried on between them, supporting in full vigour the industry of each. And though the circumstances which have been mentioned, and others which will be unfolded hereafter, render it probable, that nations merely agricultural, would not enjoy the same degree of opulence, in proportion to their numbers, as those which united manufactures with agriculture; yet the progressive improvement of the lands of the former, might, in the end, atone for an inferior degree of opulence in the mean time; and in a case in which opposite considerations are pretty equally balanced, the option ought perhaps always to be in favour of leaving industry to its own direction.

But the system, which has been mentioned, is far from characterising the general policy of nations. The prevalent one has been regulated by an opposite spirit. The consequence of it is, that the United States are, to a certain extent, in the situation of a country precluded from foreign commerce. They can indeed, without difficulty, obtain from abroad the manufactured supplies, of which they are in want;

but they experience numerous and very injurious impediments to the emission and vent of their own commodities. Nor is this the case in reference to a single foreign nation only. The regulations of several countries, with which we have the most extensive intercourse, throw serious obstructions in the way of the principal staples of the United States.

In such a position of things, the United States cannot exchange with Europe on equal terms; and the want of reciprocity would render them the victim of a system, which should induce them to confine their views to agriculture, and refrain from manufactures. A constant and increasing necessity, on their part, for the commodities of Europe, and only a partial and occasional demand for their own, in return, could not but expose them to a state of impoverishment, compared with the opulence to which their political and natural advantages authorize them to aspire.

Remarks of this kind are not made in the spirit of complaint. It is for the nations, whose regulations are alluded to, to judge for themselves, whether, by aiming at too much, they do not lose more than they gain. It is for the United States to consider by what means they can render themselves least dependent, on the combinations, right or wrong, of foreign policy.

It is no small consolation, that already the measures which have embarrassed our trade, have accelerated internal improvements, which upon the whole have bettered our affairs. To diversify and extend these improvements, is the surest and safest method of indemnifying ourselves for any inconveniences, which those or similar measures have a tendency to beget. If Europe will not take from us the products

of our soil, upon terms consistent with our interest, the natural remedy is to contract, as fast as possible, our wants of her.

2. The conversion of their waste into cultivated lands, is certainly a point of great moment in the political calculations of the United States. But the degree in which this may possibly be retarded by the encouragement of manufactories, does not appear to countervail the powerful inducements to affording that encouragement.

An observation made in another place, is of a nature to have great influence upon this question—If it cannot be denied, that the interests even of agriculture may be advanced more by having such of the lands of a state as are occupied under good cultivation, than by having a greater quantity ocupied under a much inferior cultivation; and if manufactories, for the reasons assigned, must be admitted to have a tendency to promote a more steady and vigorous cultivation of the lands occupied, than would happen without them, it will follow, that they are capable of indemnifying a country for a diminution of the progress of new settlements; and may serve to increase both the capital value and the income of its lands, even though they should abridge the number of acres under tillage.

But it does by no means follow, that the progress of new settlements would be retarded by the extension of manufactures. The desire of being an independent proprietor of land, is founded on such strong principles in the human breast, that where the opportunity of becoming so is as great as it is in the United States, the proportion will be small of those, whose situations would otherwise lead to it, who would be diverted from it towards manufactures.

And it is highly probable, as already intimated, that the accessions of foreigners, who, originally drawn over by manufacturing views, would afterwards abandon them for agricultural, would be more than an equivalent for those of our own citizens, who might happen to be detached from them.

The remaining objections to a particular encouragement of manufactures in the United States now require to be examined.

One of these turns on the proposition, that industry, if left to itself, will naturally find its way to the most useful and profitable employment. Whence it is inferred, that manufactures, without the aid of government, will grow up as soon, and as fast, as the natural state of things, and the interest of the community, may require.

Against the solidity of this hypothesis, in the full latitude of the terms, very cogent reasons may be offered. These have relation to the strong influence of habit, and the spirit of imitation, the fear of want of success in untried enterprises, the intrinsic difficulties incident to first essays towards a competition with those who have previously attained to perfection in the business to be attempted; the bounties, premiums, and other artificial encouragements, with which foreign nations second the exertions of their own citizens, in the branches in which they are to be rivalled.

Experience teaches, that men are often so much governed by what they are accustomed to see and practise, that the simplest and most obvious improvements, in the most ordinary occupations, are adopted with hesitation, reluctance, and by slow gradations. The spontaneous transition to new pursuits, in a community long habituated to different

ones, may be expected to be attended with proportionably greater difficulty. When former occupations ceased to yield a profit adequate to the subsistence of their followers, or when there was an absolute deficiency of employment in them, owing to the superabundance of hands, changes would ensue; but these changes would be likely to be more tardy than might consist with the interest either of individuals or of the society. In many cases they would not happen, while a bare support could be insured by an adherence to ancient courses; though a resort to a more profitable employment might be practicable. To produce the desirable changes, as early as may be expedient, may therefore require the incitement and patronage of government.

The apprehension of failing in new attempts, is, perhaps, a more serious impediment. There are dispositions apt to be attracted by the mere novelty of an undertaking; but these are not always those best calculated to give it success. To this, it is of importance that the confidence of cautious, sagacious capitalists, both citizens and foreigners, should be excited. And to inspire this description of persons with confidence, it is essential, that they should be made to see in any project, which is new, and for that reason alone, if for no other, precarious; the prospect of such a degree of countenance and support from government, as may be capable of overcoming the obstacles, inseparable from first experiments.

The superiority antecedently enjoyed by nations, who have pre-occupied and perfected a branch of industry, constitutes a more formidable obstacle, than either of those which have been mentioned, to the introduction of the same branch into a country, in

which it did not before exist. To maintain between the recent establishments of one country, and the long matured establishments of another country, a competition upon equal terms, both as to quality and price, is in most cases impracticable. The disparity, in the one, or in the other, or in both, must necessarily be so considerable as to forbid a successful rivalship, without the extraordinary aid and protection of government.

But the greatest obstacle of all to the successful prosecution of a new branch of industry in a country in which it was before unknown, consists, as far as the instances apply, in the bounties, premiums, and other aids, which are granted in a variety of cases, by the nations in which the establishments to be imitated are previously introduced. It is well known, (and particular examples in the course of this report will be cited,) that certain nations grant bounties on the exportation of particular commodities, to enable their own workmen to undersell and supplant all competitors, in the countries to which those commodities are sent. Hence the undertakers of a new manufacture have to contend, not only with the natural disadvantages of a new undertaking; but with the gratuities and remunerations which other governments bestow. To be enabled to contend with success, it is evident, that the interference and aid of their own governments are indispensable.

Combinations by those engaged in a particular branch of business in one country, to frustrate the first efforts to introduce it into another, by temporary sacrifices, recompensed perhaps by extraordinary indemnifications of the government of such country; are believed to have existed, and are not to be regarded as destitute of probability. The existence or

assurance of aid from the government of the country, in which the business is to be introduced, may be essential to fortify adventurers against the dread of such combinations—to defeat their effects, if formed, and to prevent their being formed, by demonstrating that they must in the end prove fruitless.

Whatever room there may be for an expectation that the industry of a people, under the direction of private interest, will upon equal terms find out the most beneficial employment for itself; there is none for a reliance, that it will struggle against the force of unequal terms, or will of itself surmount all the adventitious barriers to a successful competition, which may have been erected either by the advantages naturally acquired from practice and previous possession of the ground, or by those which may have sprung from positive regulations, and an artificial policy. This general reflection might alone suffice as an answer to the objection under examination; exclusively of the weighty considerations which have been particularly urged.

The objections to the pursuit of manufactures in the United States, which next present themselves to discussion, represent an impracticability of success, arising from three causes—scarcity of hands; dearness of labour; want of capital.

The two first circumstances are, to a certain extent, real; and within due limits, ought to be admitted as obstacles to the success of manufacturing enterprise in the United States. But there are various considerations, which lessen their force, and tend to afford an assurance that they are not sufficient to prevent the advantageous prosecution of many very useful and extensive manufactories.

With regard to scarcity of hands, the fact itself must be applied, with no small qualification to certain parts of the United States. There are large districts, which may be considered as pretty fully peopled; and which, notwithstanding a continual drain for distant settlement, are thickly interspersed with flourishing and increasing towns. If these districts have not already reached the point, at which the complaint of scarcity of hands ceases, they are not remote from it, and are approaching fast towards it: And having perhaps fewer attractions to agriculture, than some other parts of the union, they exhibit a proportionably stronger tendency towards other kinds of industry. In these districts, may be discerned, no inconsiderable maturity for manufacturing establishments.

But there are circumstances, which have been already noticed with another view, that materially diminish every where the effect of a scarcity of hands. These circumstances are—the great use which can be made of women and children; on which point a very pregnant and instructive fact has been mentioned; the vast extension given by late improvements to the employment of machines, which, substituting the agency of fire and water, has prodigiously lessened the necessity for manual labour; the employment of persons ordinarily engaged in other occupations, during the seasons, or hours of leisure; which, besides giving occasion to the exertion of a greater quantity of labour by the same number of persons, and thereby increasing the general stock of labour, as has been elsewhere remarked, may also be taken into the calculation, as a resource for obviating the scarcity of hands—lastly, the attraction of foreign emigrants. Whoever inspects with a careful eye,

the composition of our towns, will be made sensible to what an extent this resource may be relied upon. This exhibits a large proportion of ingenious and valuable workmen, in different arts and trades, who, by expatriating from Europe, have improved their own condition, and added to the industry and wealth of the United States. It is a natural inference from the experience we have already had, that as soon as the United States shall present the countenance of a serious prosecution of manufactures, as soon as foreign artists shall be made sensible that the state of things here affords a moral certainty of employment and encouragement, competent numbers of European workmen will transplant themselves, effectually to ensure the success of the design. How indeed can it otherwise happen, considering the various and powerful inducements, which the situation of this country offers; addressing themselves to so many strong passions and feelings, to so many general and particular interests?

It may be affirmed, therefore, in respect to hands for carrying on manufactures, that we shall in a great measure trade upon a foreign stock; reserving our own for the cultivation of our lands, and the manning of our ships; as far as character and circumstances shall incline. It is not unworthy of remark, that the objection to the success of manufactures, deduced from the scarcity of hands, is alike applicable to trade and navigation, and yet these are perceived to flourish, without any sensible impediment from that cause.

As to the dearness of labour, (another of the obstacles alleged,) this has relation principally to two circumstances; one, that which has been just discuss-

ed, or the scarcity of hands; the other, the greatness of profits.

As far as it is a consequence of the scarcity of hands, it is mitigated by all the considerations which have been adduced as lessening that deficiency. It is certain, too, that the disparity, in this respect, between some of the most manufacturing parts of Europe, and a large proportion of the United States, is not nearly so great as is commonly imagined. It is also much less in regard to artificers and manufacturers, than in regard to country labourers; and while a careful comparison shows, that there is, in this particular, much exaggeration, it is also evident, that the effect of the degree of disparity which does truly exist, is diminished in proportion to the use which can be made of machinery.

To illustrate this last idea—Let it be supposed, that the difference of price, in two countries, of a given quantity of manual labour requisite to the fabrication of a given article, is as ten; and that some MECHANIC POWER is introduced into both countries, which, performing half the necessary labour, leaves only half to be done by hand, it is evident, that the difference in the cost of the fabrication of the article in question, in the two countries, as far as it is connected with the price of labour, will be reduced from ten to five, in consequence of the introduction of that POWER.

This circumstance is worthy of the most particular attention. It diminishes immensely one of the objections, most strenuously urged, against the success of manufactures in the United States.

To procure all such machines as are known in any part of Europe, can only require a proper provision and due pains. The knowledge of several of the

most important of them is already possessed. The preparation of them here, is in most cases practicable on nearly equal terms. As far as they depend on water, some superiority of advantages may be claimed, from the uncommon variety, and greater cheapness, of situations adapted to mill-seats, with which different parts of the United States abound.

So far as the dearness of labour may be a consequence of the greatness of profits in any branch of business, it is no obstacle to its success. The undertaker can afford to pay the price.

There are grounds to conclude that undertakers of manufactures, in this country, can at this time afford to pay higher wages to the workmen they may employ, than are paid to similar workmen in Europe. The prices of foreign fabrics, in the markets of the United States, which will for a long time regulate the prices of the domestic ones, may be considered as compounded of the following ingredients: The first cost of materials, including the taxes, if any, which are paid upon them where they are made; the expense of grounds, buildings, machinery, and tools; the wages of the persons employed in the manufactory; the profits on the capital or stock employed; the commissions of agents to purchase them where they are made; the expense of transportation to the United States, including insurance and other incidental charges; the taxes or duties, if any, and fees of office which are paid on their exportation; the taxes, or duties, and fees of office which are paid on their importation.

As to the first of these items, the cost of materials, the advantage, upon the whole, is at present on the side of the United States; and the difference in their favour, must increase in proportion as a cer-

tain and extensive domestic demand shall induce the proprietors of land to devote more of their attention to the production of those materials. It ought not to escape observation, in a comparison on this point, that some of the principal manufacturing countries of Europe are much more dependent on foreign supply for the materials of their manufactures, than would be the United States, who are capable of supplying themselves with a greater abundance, as well as a greater variety, of the requisite materials.

As to the second item, the expense of grounds, buildings, machinery, and tools, an equality at least may be assumed; since advantages in some particulars will counterbalance temporary disadvantages in others.

As to the third item, or the article of wages, the comparison certainly turns against the United States; though, as before observed, not in so great a degree as is commonly supposed.

The fourth item is alike applicable to the foreign and to the domestic manufacture. It is indeed more properly a *result*, than a particular, to be compared.

But with respect to all the remaining items, they are alone applicable to the foreign manufacture, and in the strictest sense, extraordinaries; constituting a sum of extra charge on the foreign fabric, which cannot be estimated at less than from 15 to 30 per cent. on the cost of it at the manufactory.

This sum of extra charge may confidently be regarded as more than a counterpoise for the real difference in the price of labour; and is a satisfactory proof that manufactures may prosper in defiance of it in the United States.

To the general allegation, connected with the circumstances of scarcity of hands and dearness of

labour, that extensive manufactures can only grow out of a redundant or full population, it will be sufficient to answer generally, that the fact has been otherwise: that the situation alleged to be an essential condition of success, has not been that of several nations, at periods when they had already attained to maturity in a variety of manufactures.

The supposed want of capital for the prosecution of manufactures in the United States, is the most indefinite of the objections which are usually opposed to it.

It is very difficult to pronounce any thing precise concerning the real extent of the monied capital of a country, and still more concerning the proportion which it bears to the objects that invite the employment of capital. It is not less difficult to pronounce how far the *effect* of any given quantity of money, as capital, or, in other words, as a medium, for circulating the industry and property of a nation, may be increased by the very circumstance of the additional motion which is given to it by new objects of employment. That effect, like the momentum of descending bodies, may not improperly be represented, as in a compound ratio, to *mass* and *velocity*. It seems pretty certain, that a given sum of money, in a situation in which the quick impulses of commercial activity were little felt, would appear inadequate to the circulation of as great a quantity of industry and property, as in one in which their full influence was experienced.

It is not obvious, why the same objection might not as well be made to external commerce as to manufactures; since it is manifest that our immense tracts of land, occupied and unoccupied, are capable

of giving employment to more capital than is actually bestowed on them. It is certain, that the United States offer a vast field for the advantageous employment of capital; but it does not follow, that there will not be found, in one way or another, a sufficient fund for the successful prosecution of any species of industry, which is likely to prove truly beneficial.

The following considerations are of a nature to remove all inquietude on the score of want of capital.

The introduction of banks, as has been shown on another occasion, has a powerful tendency to extend the active capital of a country. Experience of the utility of these institutions is multiplying them in the United States. It is probable that they will be established wherever they can exist with advantage; and wherever they can be supported, if administered with prudence, they will add new energies to all pecuniary operations.

The aid of foreign capital may safely, and with considerable latitude, be taken into calculation. Its instrumentality has been long experienced in our external commerce; and it has begun to be felt in various other modes. Not only our funds, but our agriculture, and other internal improvements, have been animated by it. It has already, in a few instances, extended even to our manufactures.

It is a well known fact, that there are parts of Europe, which have more capital, than profitable domestic objects of employment. Hence, among other proofs, the large loans continually furnished to foreign states. And it is equally certain, that the capital of other parts may find more profitable employment in the United States, than at home. And

notwithstanding there are weighty inducements to prefer the employment of capital at home, even at less profit, to an investment of it abroad, though with greater gain, yet these inducements are over-ruled, either by a deficiency of employment, or by a very material difference in profit. Both these causes operate to produce a transfer of foreign capital to the United States. It is certain, that various objects in this country hold out advantages, which are with difficulty to be equalled elsewhere; and under the increasingly favourable impressions which are entertained of our government, the attractions will become more and more strong. These impressions will prove a rich mine of prosperity to the country, if they are confirmed and strengthened by the progress of our affairs. And to secure this advantage, little more is necessary, than to foster industry, and cultivate order and tranquillity at home and abroad.

It is not impossible, that there may be persons disposed to look with a jealous eye on the introduction of foreign capital, as if it were an instrument to deprive our own citizens of the profits of our own industry: But perhaps there never could be a more unreasonable jealousy. Instead of being viewed as a rival, it ought to be considered as a most valuable auxiliary; conducing to put in motion a greater quantity of productive labour, and a greater portion of useful enterprise, than could exist without it. It is at least evident, that in a country situated like the United States, with an infinite fund of resources, yet to be unfolded, every farthing of foreign capital, which is laid out in internal meliorations, and in industrious establishments of a permanent nature, is a precious acquisition.

And whatever be the objects which originally attract foreign capital, when once introduced, it may be directed towards any purpose of beneficial exertion which is desired. And to detain it among us, there can be no expedient so effectual as to enlarge the sphere within which it may be usefully employed: though introduced merely with views to speculations in the funds, it may afterwards be rendered subservient to the interests of agriculture, commerce, and manufactures.

But the attraction of foreign capital, for the direct purpose of manufactures, ought not to be deemed a chimerical expectation. There are already examples of it, as remarked in another place. And the examples, if the disposition be cultivated, can hardly fail to multiply. There are also instances of another kind, which serve to strengthen the expectation; enterprises for improving the public communications, by cutting canals, opening the obstructions in rivers, and erecting bridges, have received very material aid from the same source.

When the manufacturing capitalist of Europe shall advert to the many important advantages, which have been intimated in the course of this report, he cannot but perceive very powerful inducements to a transfer of himself and his capital to the United States. Among the reflections which a most interesting peculiarity of situation is calculated to suggest, it cannot escape his observation, as a circumstance of moment in the calculation, that the progressive population and improvement of the United States, ensure a continually increasing domestic demand for the fabrics which he shall produce, not to be affected by any external casualties or vicissitudes.

But while there are circumstances sufficiently strong to authorize a considerable degree of reliance on the aid of foreign capital, towards the attainment of the object in view, it is satisfactory to have good grounds of assurance, that there are domestic resources of themselves adequate to it. It happens that there is a species of capital actually existing within the United States, which relieves from all inquietude on the score of want of capital—This is the funded debt.

The effect of a funded debt, as a species of capital, has been noticed upon a former occasion; but a more particular elucidation of the point seems to be required by the stress which is here laid upon it—This shall accordingly be attempted.

Public funds answer the purpose of capital, from the estimation in which they are usually held by monied men; and consequently from the ease and dispatch with which they can be turned into money. This capacity of prompt convertibility into money, causes a transfer of stock to be, in a great number of cases, eqiuvalent to a payment in coin—And where it does not happen to suit the party who is to receive, to accept a transfer of stock, the party who is to pay, is never at a loss to find elsewhere a purchaser of his stock; who will furnish him, in lieu of it, with the coin of which he stands in need.

Hence, in a sound and settled state of the public funds, a man possessed of a sum in them can embrace any scheme of business which offers, with as much confidence as if he were possessed of an equal sum in coin.

This operation of public funds, as capital, is too obvious to be denied; but it is objected to the idea of their operating as an *augmentation* of the capital of

the community, that they serve to occasion the *destruction* of some other capital to an equal amount.

The capital which alone they can be supposed to destroy, must consist of—The annual revenue, which is applied to the payment of interest on the debt, and to the gradual redemption of the principal—The amount of the coin, which is employed in circulating the funds, or, in other words, in effecting the different alienations which they undergo.

But the following appears to be the true and accurate view of this matter—

1st. As to the point of the annual revenue requisite for payment of interest and redemption of principal.

As a determinate proportion will tend to perspicuity in the reasoning, let it be supposed, that the annual revenue to be applied, corresponding with the modification of the 6 per cent. stock of the United States, is in the ratio of eight upon the hundred; that is, in the first instance, six on account of interest, and two on account of principal.

Thus far it is evident, that the capital destroyed, to the capital created, would bear no greater proportion than 8 to 100. There would be withdrawn from the total mass of other capitals, a sum of eight dollars, to be paid to the public creditor; while he would be possessed of a sum of one hundred dollars, ready to be applied to any purpose, to be embarked in any enterprise, which might appear to him eligible—Here, then, the *augmentation* of capital, or the excess of that which is produced, beyond that which is destroyed, is equal to ninety-two dollars.

To this conclusion it may be objected, that the sum of eight dollars is to be withdrawn annually, until the whole hundred is extinguished; and it

may be inferred, that, in process of time, a capital will be destroyed equal to that which is at first created.

But it is nevertheless true, that during the whole of the interval, between the creation of the capital of 100 dollars, and its reduction to a sum not greater than that of the annual revenue appropriated to its redemption, there will be a greater active capital in existence than if no debt had been contracted. The sum drawn from other capitals *in any one year*, will not exceed eight dollars; but there will be, *at every instant of time*, during the whole period in question, a sum corresponding *with so much of the principal*, as remains *unredeemed*, in the hands of some person or other, employed, or ready to be employed, in some profitable undertaking. There will, therefore, constantly be more capital, in capacity to be employed, than capital taken from employment. The excess for the first year has been stated to be ninety-two dollars; it will diminish yearly; but there always will be an excess, until the principal of the debt is brought to a level with the REDEEMING ANNUITY; that is, in the case which has been assumed by way of example, to EIGHT DOLLARS. The reality of this excess becomes palpable, if it be supposed, as often happens, that the citizen of a foreign country imports into the United States 100 dollars for the purchase of an equal sum of public debt—here is an absolute augmentation of the mass of circulating coin to the extent of 100 dollars. At the end of a year, the foreigner is presumed to draw back eight dollars on account of his principal and interest, but he still leaves, ninety-two of his original deposit in circulation, as he, in like manner, leaves eighty-four at the end of the second year, drawing back then also the annuity of eight dollars. And thus the matter pro-

ceeds; the capital, left in circulation diminishing each year, and coming nearer to the level of the annuity drawn back. There are, however, some differences in the ultimate operation of the part of the debt, which is purchased by foreigners, and that which remains in the hands of citizens. But the general effect in each case, though in different degrees, is to add to the active capital of the country.

Hitherto the reasoning has proceeded on a concession of the position, that there is a destruction of some other capital, to the extent of the annuity appropriated to the payment of the interest, and the redemption of the principal of the debt; but in this, too much has been conceded. There is at most a temporary transfer of some other capital, to the amount of the annuity, from those who pay to the creditor who receives; which he again restores to the circulation to resume the offices of a capital. This he does either immediately, by employing the money in some branch of industry; or mediately, by lending it to some other person, who does so employ it; or by spending it on his own maintenance. In either supposition, there is no destruction of capital; there is nothing more than a suspension of its motion for a time; that is, while it is passing from the hands of those who pay into the public coffers, and thence through the public creditor into some other channel of circulation. When the payments of interest are periodical and quick, and made by the instrumentality of banks, the diversion or suspension of capital may almost be denominated momentary. Hence the deduction on this account is far less, than it at first sight appears to be.

There is evidently, as far as regards the annuity, no destruction nor transfer of any other capital, than

that portion of the income of each individual, which goes to make up the annuity. The land which furnishes the farmer with the sum which he is to contribute, remains the same; and the like may be observed of other capitals. Indeed, as far as the tax which is the object of contribution, (as frequently happens when it does not oppress by its weight,) may have been a motive to *greater exertion* in any occupation, it may even serve to increase the contributory capital. This idea is not without importance in the general view of the subject.

It remains to see, what further deduction ought to be made from the capital which is created, by the existence of the debt, on account of the coin which is employed in its circulation. This is susceptible of much less precise calculation than the article which has been just discussed. It is impossible to say, what proportion of coin is necessary to carry on the alienations which any species of property usually undergoes. The quantity indeed varies according to circumstances: But it may still, without hesitation, be pronounced, from the quickness of the rotation, or rather of the transitions, that the *medium* of circulation always bears but a small proportion to the amount of the *property* circulated. And it is thence satisfactorily deducible, that the coin employed in the negociations of the funds, and which serves to give them activity, as capital, is incomparably less than the sum of the debt negociated for the purpose of business.

It ought not, however, to be omitted, that the negociation of the funds becomes itself a distinct business; which employs, and by employing, diverts a portion of the circulating coin from other pursuits.

But, making due allowance for this circumstance, there is no reason to conclude, that the effect of the diversion of coin, in the whole operation, bears any considerable proportion to the amount of the capital to which it gives activity. The sum of the debt in circulation is continually at the command of any useful enterprise: the coin itself, which circulates it, is never more than momentarily suspended from its ordinary functions. It experiences an incessant and rapid flux and reflux to and from the channels of industry, to those of speculations in the funds.

There are strong circumstances in confirmation of this theory. The force of monied capital which has been displayed in Great-Britain, and the height to which every species of industry has grown up under it, defy a solution from the quantity of coin which that kingdom has ever possessed. Accordingly, it has been coeval with its funding system, the prevailing opinion of the men of business, and of the generality of the most sagacious theorists of that country, that the operation of the public funds, as capital, has contributed to the effect in question. Among ourselves, appearances thus far favour the same conclusion. Industry in general seems to have been reanimated. There are symptoms indicating an extension of our commerce. Our navigation has certainly of late had a considerable spring; and there appears to be, in many parts of the Union, a command of capital, which, till lately, since the revolution at least, was unknown. But it is at the same time to be acknowledged, that other circumstances have concurred, (and in a great degree,) in producing the present state of things; and that the

appearances are not yet sufficiently decisive to be entirely relied upon.

In the question under discussion, it is important to distinguish between an *absolute increase of capital, or an accession of real wealth*, and an *artificial increase of capital*, as an engine of business, or as an instrument of industry and commerce. In the first sense, a funded debt has no pretensions to being deemed an increase of capital; in the last, it has pretensions which are not easy to be controverted. Of a similar nature is bank credit, and, in an inferior degree, every species of private credit.

But though a funded debt is not, in the first instance, an absolute increase of capital, or an augmentation of real wealth; yet, by serving as a new power in the operations of industry, it has, within certain bounds, a tendency to increase the real wealth of a community; in like manner as money borrowed by a thrifty farmer, to be laid out in the improvement of his farm, may, in the end, add to his stock of real riches.

There are respectable individuals, who, from a just aversion to an accumulation of public debt, are unwilling to concede to it any kind of utility; who can discern no good to alleviate the ill with which they suppose it pregnant; who cannot be persuaded that it ought, in any sense, to be viewed as an increase of capital, lest it should be inferred, that the more debt, the more capital—the greater the burthens, the greater the blessings of the community.

But it interests the public councils to estimate every object as it truly is; to appreciate how far the good in any measure is compensated by the ill; or the ill by the good: either of them is seldom unmixed.

Neither will it follow, that an accumulation of debt is desirable, because a certain degree of it operates as capital. There may be a plethora in the political, as in the natural body; there may be a state of things in which any such artificial capital is unnecessary. The debt, too, may be swelled to such a size, as that the greatest part of it may cease to be useful as a capital, serving only to pamper the dissipation of idle and dissolute individuals; as that the sums required to pay the interest upon it may become oppressive, and beyond the means which a government can employ, consistently with its tranquillity, to raise them; as that the resources of taxation, to face the debt, may have been strained too far to admit of extensions adequate to exigencies which regard the public safety.

Where this critical point is, cannot be pronounced; but it is impossible to believe, that there is not such a point.

And, as the vicissitudes of nations beget a perpetual tendency to the accumulation of debt, there ought to be in every government a perpetual, anxious, and unceasing effort to reduce that, which at any time exists, as fast as shall be practicable, consistently with integrity and good faith.

Reasonings on a subject comprehending ideas so abstract and complex, so little reducible to precise calculation as those which enter into the question just discussed, are always attended with a danger of running into fallacies. Due allowance ought, therefore, to be made for this possibility. But as far as the nature of the subject admits of it, there appears to be satisfactory ground for a belief that the public funds operate as a resource of capital to the

citizens of the United States; and, if they are a resource at all, it is an extensive one.

To all the arguments which are brought to evince the impracticability of success in manufacturing establishments in the United States, it might have been a sufficient answer to have referred to the experience of what has been already done—it is certain that several important branches have grown up and flourished with a rapidity which surprises; affording an encouraging assurance of success in future attempts; of these it may not be improper to enumerate the most considerable.—

I. *Of Skins.* Tanned and tawed leather, dressed skins, shoes, boots, and slippers, harness, and saddlery of all kinds, portmanteaus, and trunks, leather breeches, gloves, muffs and tippets, parchment and glue.

II. *Of Iron.* Bar and sheet iron, steel, nail-rods, and nails, implements of husbandry, stoves, pots, and other household utensils, the steel and iron work of carriages, and for ship-building, anchors, scale-beams, and weights, and various tools of artificers, arms of different kinds, though the manufacture of these last has of late diminished for want of demand.

III. *Of Wood.* Ships, cabinet-wares and turnery, wool and cotton cards, and other machinery for manufactures and husbandry, mathematical instruments, coopers' wares of every kind.

IV. *Of Flax and Hemp.* Cables, sail-cloth, cordage, twine, and packthread.

V. Bricks, and coarse tiles, and potters' wares.

VI. Ardent spirits, and malt liquors.

VII. Writing and printing paper, sheathing and wrapping paper, pasteboards, fullers or press papers, paper hangings.

VIII. Hats of fur and wool, and of mixtures of both, womens' stuff and silk shoes.

IX. Refined sugars.

X. Oils of animals and seeds, soap, spermaceti and tallow candles.

XI. Copper and brass wares, particularly utensils for distillers, sugar refiners and brewers, andirons, and other articles for household use, philosophical apparatus.

XII. Tin wares for most purposes of ordinary use.

XIII. Carriages of all kinds.

XIV. Snuff, chewing and smoaking tobacco.

XV. Starch and hair powder.

XVI. Lampblack, and other painters' colours.

XVII. Gunpowder.

Besides manufactories of these articles, which are carried on as regular trades, and have attained to a considerable degree of maturity, there is a vast scene of household manufacturing, which contributes more largely to the supply of the community, than could be imagined, without having made it an object of particular inquiry. This observation is the pleasing result of the investigation to which the subject of this report has led, and is applicable as well to the southern as to the middle and northern states. Great quantities of coarse cloths, coatings, serges, and flannels, linsey-woolseys, hosiery of wool, cotton, and thread, coarse fustians, jeans, and muslins, checked and striped cotton and linen goods, bedticks, coverlets, and counterpanes, tow linens, coarse shirtings, sheetings, toweling, and table linen, and various mixtures of wool and cotton, and of cotton and flax, are made in the household way, and, in many instances, to an extent not only sufficient for the supply of the families in which they are made, but for sale, and

even in some cases for exportation. It is computed in a number of districts, that two-thirds, three-fourths, and even four-fifths of all the clothing of the inhabitants, are made by themselves. The importance of so great a progress, as appears to have been made in family manufactures, within a few years, both in a moral and political view, renders the fact highly interesting.

Neither does the above enumeration comprehend all the articles that are manufactured as regular trades. Many others occur, which are equally well established, but which not being of equal importance, have been omitted. And there are many attempts, still in their infancy, which, though attended with very favourable appearances, could not have been properly comprised in an enumeration of manufactories already established. There are other articles, also, of great importance, which, though strictly speaking, manufactures, are omitted, as being immediately connected with husbandry; such are flour, pot and pearl ash, pitch, tar, turpentine, and the like.

There remains to be noticed, an objection to the encouragement of manufactures, of a nature different from those which question the probability of success. This is derived from its supposed tendency to give a monopoly of advantages to particular classes, at the expense of the rest of the community, who, it is affirmed, would be able to procure the requisite supplies of manufactured articles on better terms from foreigners, than from our own citizens; and who, it is alleged, are reduced to a necessity of paying an enhanced price for whatever they want, by every measure which obstructs the free competition of foreign commodities.

It is not an unreasonable supposition, that measures, which serve to abridge the free competition of foreign articles, have a tendency to occasion an enhancement of prices; and it is not to be denied that such is the effect in a number of cases; but the fact does not uniformly correspond with the theory. A reduction of prices has, in several instances immediately succeeded the establishment of a domestic manufacture. Whether it be that foreign manufacturers endeavour to supplant, by underselling our own, or whatever else be the cause, the effect has been such as is stated, and the reverse of what might have been expected.

But though it were true, that the immediate and certain effect of regulations controlling the competition of foreign with domestic fabrics, was an increase of price, it is universally true, that the contrary is the ultimate effect with every successful manufacture. When a domestic manufacture has attained to perfection, and has engaged in the prosecution of it a competent number of persons, it invariably becomes cheaper. Being free from the heavy charges which attend the importation of foreign commodities, it can be afforded, and accordingly seldom or never fails to be sold cheaper, in process of time, than was the foreign article for which it is a substitute. The internal competition, which takes place, soon does away every thing like monopoly, and by degrees reduces the price of the article to the *minimum* of a reasonable profit on the capital employed. This accords with the reason of the thing, and with experience.

Whence it follows, that it is the interest of a community, with a view to eventual and permanent economy, to encourage the growth of manufactures.

In a national view, a temporary enhancement of price must always be well compensated by a permanent reduction of it.

It is a reflection, which may with propriety be indulged here, that this eventual diminution of the prices of manufactured articles, which is the result of internal manufacturing establishments, has a direct and very important tendency to benefit agriculture. It enables the farmer to procure, with a smaller quantity of his labour, the manufactured produce of which he stands in need, and consequently increases the value of his income and property.

The objections which are commonly made to the expediency of encouraging, and to the probability of succeeding in manufacturing pursuits in the United States, having now been discussed, the considerations which have appeared in the course of the discussion, recommending that species of industry to the patronage of the government, will be materially strengthened by a few general and some particular topics, which have been naturally reserved for subsequent notice.

I. There seems to be a moral certainty, that the trade of a country which is both manufacturing and agricultural, will be more lucrative and prosperous, than that of a country which is merely agricultural.

One reason for this is found in that general effort of nations, (which has been already mentioned,) to procure from their own soils the articles of prime necessity requisite to their own consumption and use; and which serves to render their demand for a foreign supply of such articles, in a great degree occasional and contingent. Hence, while the necessities of nations, exclusively devoted to agriculture, for the fabrics of manufacturing states, are constant

and regular; the wants of the latter for the products of the former, are liable to very considerable fluctuations and interruptions. The great inequalities, resulting from difference of seasons, have been elsewhere remarked. This uniformity of demand on one side, and unsteadiness of it on the other, must necessarily have a tendency to cause the general course of the exchange of commodities between the parties, to turn to the disadvantage of the merely agricultural states. Peculiarity of situation, a climate and soil adapted to the production of peculiar commodities, may, sometimes, contradict the rule; but there is every reason to believe that it will be found, in the main, a just one.

Another circumstance which gives a superiority of commercial advantages to states that manufacture as well as cultivate, consists in the more numerous attractions which a more diversified market offers to foreign customers; and in the greater scope which it affords to mercantile enterprise. It is a position of indisputable truth in commerce, depending too on very obvious reasons, that the greatest resort will ever be to those marts, where commodities, while equally abundant, are most various. Each difference of kind holds out an additional inducement. And it is a position not less clear, that the field of enterprise must be enlarged to the merchants of a country, in proportion to the variety, as well as the abundance of commodities which they find at home for exportation to foreign markets.

A third circumstance, perhaps not inferior to either of the other two, conferring the superiority which has been stated, has relation to the stagnations of demand for certain commodities, which at some time or other interfere more or less with the sale of all.

The nation which can bring to market but few articles, is likely to be more quickly and sensibly affected by such stagnations, than one, which is always possessed of a great variety of commodities: the former frequently finds too great a portion of its stock of materials, for sale or exchange, lying on hand, or is obliged to make injurious sacrifices to supply its wants of foreign articles, which are *numerous* and *urgent*, in proportion to the smallness of the number of its own. The latter commonly finds itself indemnified, by the high prices of some articles, for the low prices of others; and the prompt and advantageous sale of those articles which are in demand, enables its merchants the better to wait for a favourable change, in respect to those which are not. There is ground to believe, that a difference of situation, in this particular, has immensely different effects upon the wealth and prosperity of nations.

From these circumstances collectively, two important inferences are to be drawn; one, that there is always a higher probability of a favourable balance of trade, in regard to countries in which manufactures, founded on the basis of a thriving agriculture, flourish, than in regard to those which are confined wholly, or almost wholly, to agriculture; the other, (which is also a consequence of the first,) that countries of the former description are likely to possess more pecuniary wealth, or money, than those of the latter.

Facts appear to correspond with this conclusion. The importations of manufactured supplies, seem invariably to drain the merely agricultural people of their wealth. Let the situation of the manufacturing countries of Europe be compared, in this particular, with that of countries which only cultivate,

and the disparity will be striking. Other causes, it is true, help to account for this disparity between some of them; and among these causes, the relative state of agriculture; but between others of them, the most prominent circumstance of dissimilitude arises from the comparative state of manufactures. In corroboration of the same idea, it ought not to escape remark, that the West-India islands, the soils of which are the most fertile, and the nation, which in the greatest degree supplies the rest of the world with the precious metals, exchange to a loss with almost every other country.

As far as experience at home may guide, it will lead to the same conclusion. Previous to the revolution, the quantity of coin possessed by the colonies, which now compose the United States, appeared to be inadequate to their circulation; and their debt to Great Britain was progressive. Since the revolution, the states, in which manufactures have most increased, have recovered fastest from the injuries of the late war, and abound most in pecuniary resources.

It ought to be admitted, however, in this, as in the preceding case, that causes irrelative to the state of manufactures, account, in a degree, for the phenomena remarked. The continual progress of new settlements has a natural tendency to occasion an unfavourable balance of trade; though it indemnifies for the inconvenience, by that increase of the national capital which flows from the conversion of waste into improved lands: and the different degrees of external commerce, which are carried on by the different states, may make material differences in the comparative state of their wealth. The first circumstance has reference to the deficiency of coin, and

the increase of debt previous to the revolution; the last to the advantages which the most manufacturing states appear to have enjoyed over the others, since the termination of the late war.

But the uniform appearance of an abundance of specie, as the concomitant of a flourishing state of manufactures, and of the reverse, where they do not prevail, afford a strong presumption of their favourable operation upon the wealth of a country.

Not only the wealth, but the independence and security of a country, appear to be materially connected with the prosperity of manufactures. Every nation, with a view to those great objects, ought to endeavour to possess within itself all the essentials of national supply. These comprise the means of *subsistence*, *habitation*, *clothing*, and *defence*.

The possession of these is necessary to the perfection of the body politic; to the safety, as well as to the welfare of the society; the want of either, is the want of an important organ of political life and motion; and, in the various crises which await a state, it must severely feel the effects of any such deficiency. The extreme embarrassments of the United States during the late war, from an incapacity of supplying themselves, are still matter of keen recollection. A future war might be expected again to exemplify the mischiefs and dangers of a situation, to which that incapacity is still in too great a degree applicable, unless changed by timely and vigorous exertions. To effect this change, as fast as shall be prudent, merits all the attention and all the zeal of our public councils; it is the next great work to be accomplished.

The want of a navy to protect our external commerce, as long as it shall continue, must render it a

peculiarly precarious reliance for the supply of essential articles, and must serve to strengthen prodigiously the arguments in favour of manufactures.

To these general considerations, are added some of a more particular nature.

Our distance from Europe, the great fountain of manufactured supply, subjects us, in the existing state of things, to inconvenience and loss in two ways.

The bulkiness of those commodities which are the chief productions of the soil, necessarily imposes very heavy charges on their transportation to distant markets. These charges, in the cases in which the nations to whom our products are sent, maintain a competition in the supply of their own markets, principally fall upon us, and form material deductions from the primitive value of the articles furnished. The charges on manufactured supplies brought from Europe are greatly enhanced by the same circumstance of distance. These charges, again, in the cases in which our own industry maintains no competition in our own markets, also principally fall upon us; and are an additional cause of extraordinary deduction from the primitive value of our own products; these being the materials of exchange for the foreign fabrics which we consume.

The equality and moderation of individual property, and the growing settlements of new districts, occasion, in this country, an unusual demand for coarse manufactures; the charges of which being greater in proportion to their greater bulk, augment the disadvantage which has been just described.

As in most countries, domestic supplies maintain a very considerable competition with such foreign productions of the soil as are imported for sale, if

the extensive establishment of manufactories in the United States does not create a similar competition in respect to manufactured articles, it appears to be clearly deducible, from the considerations which have been mentioned, that they must sustain a double loss in their exchanges with foreign nations; strongly conducive to an unfavourable balance trade, and very prejudicial to their interests.

These disadvantages press with no small weight on the landed interest of the country. In seasons of peace, they cause a serious deduction from the intrinsic value of the products of the soil. In the time of a war, which should either involve ourselves, or another nation, possessing a considerable share of our carrying trade, the charges on the transportation of our commodities, bulky as most of them are, could hardly fail to prove a grievous burthen to the farmer; while obliged to depend in so great a degree as he now does, upon foreign markets for the vent of the surplus of his labour.

As far as the prosperity of the fisheries of the United States is impeded by the want of an adequate market, there arises another special reason for desiring the extension of manufactures. Besides the fish, which in many places would be likely to make a part of the subsistence of the persons employed; it is known that the oils, bones, and skins of marine animals, are of extensive use in various manufactures. Hence the prospect of an additional demand for the produce of the fisheries.

One more point of view only remains, in which to consider the expediency of encouraging manufactures in the United States.

It is not uncommon to meet with an opinion, that though the promoting of manufactures may be the

interest of a part of the union, it is contrary to that of another part. The northern and southern regions are sometimes represented as having adverse interests in this respect: Those, are called manufacturing; these, agricultural states; and a species of opposition is imagined to subsist between the manufacturing and agricultural interests.

This idea of an opposition between those two interests, is the common error of the early periods of every country; but experience gradually dissipates it. Indeed, they are perceived so often to succour and to befriend each other, that they come at length to be considered as one; a supposition which has been frequently abused, and is not universally true. Particular encouragements of particular manufactures, may be of a nature to sacrifice the interests of landholders to those of manufacturers; but it is nevertheless a maxim, well established by experience, and generally acknowledged where there has been sufficient experience, that the *aggregate* prosperity of manufactures, and the *aggregate* prosperity of agriculture, are intimately connected. In the course of the discussion which has had place, various weighty considerations have been adduced, operating in support of that maxim. Perhaps the superior steadiness of the demand of a domestic market, for the surplus produce of the soil, is alone a convincing argument of its truth.

Ideas of a contrariety of interests between the northern and southern regions of the Union, are, in the main, as unfounded, as they are mischievous. The diversity of circumstances on which such contrariety is usually predicated, authorizes a directly contrary conclusion. Mutual wants constitute one of the strongest links of political connexion; and the

extent of these bears a natural proportion to the diversity in the means of mutual supply.

Suggestions of an opposite complexion are ever to be deplored as unfriendly to the steady pursuit of one great common cause, and to the perfect harmony of all the parts.

In proportion as the mind is accustomed to trace the intimate connexion of interest which subsists between all the parts of a society united under the *same* government; the infinite variety of channels which serve to circulate the prosperity of each to and through the rest, in that proportion will it be little apt to be disturbed by solicitudes and apprehensions which originate in local discriminations. It is a truth as important as it is agreeable, and one to which it is not easy to imagine exceptions, that every thing tending to establish *substantial* and *permanent order* in the affairs of a country; to increase the total mass of industry and opulence, is ultimately beneficial to every part of it. On the credit of this great truth, an acquiescence may safely be accorded, from every quarter, to all institutions and arrangements which promise a confirmation of public order, and an augmentation of national resource.

But there are more particular considerations which serve to fortify the idea, that the encouragement of manufactures is the interest of all parts of the Union. If the northern and middle states should be the principal scenes of such establishments, they would immediately benefit the more southern, by creating a demand for productions, some of which they have in common with the other states, and others of which are either peculiar to them, or more abundant, or of better quality than elsewhere. These produc-

tions principally are, timber, flax, hemp, cotton, wool, raw silk, indigo, iron, lead, furs, hides, skins, and coals. Of these articles, cotton and indigo are peculiar to the southern states; as are hitherto *lead* and *coal*. Flax and hemp are, or may be, raised in greater abundance there, than in the more northern states; and the wool of Virginia is said to be of better quality than that of any other state: a circumstance rendered the more probable by the reflection, that Virginia embraces the same latitudes with the finest wool countries of Europe. The climate of the south is also better adapted to the production of silk.

The extensive cultivation of cotton can perhaps hardly be expected, but from the previous establishment of domestic manufactories of the article; and the surest encouragement and vent for the others, would result from similar establishments in respect to them.

If, then, it satisfactorily appears, that it is the interest of the United States, generally, to encourage manufactures, it merits particular attention, that there are circumstances which render the present a critical moment for entering with zeal upon the important business. The effort cannot fail to be materially seconded by a considerable and increasing influx of money, in consequence of foreign speculations in the funds, and by the disorders which exist in different parts of Europe.

The first circumstance, not only facilitates the execution of manufacturing enterprises, but it indicates them as a necessary mean to turn the thing itself to advantage, and to prevent its being eventually an evil. If useful employment be not found for the money of foreigners brought to the country to be invested in purchases of the public debt, it will quick-

ly be re-exported to defray the expense of an extraordinary consumption of foreign luxuries; and distressing drains of our specie, may hereafter be experienced, to pay the interest, and redeem the principal, of the purchased debt.

This useful employment, too, ought to be of a nature to produce solid and permanent improvements. If the money merely serves to give a temporary spring to foreign commerce, as it cannot procure new and lasting outlets for the products of the country, there will be no real or durable advantage gained. As far as it shall find its way in agricultural meliorations, in opening canals, and in similar improvements, it will be productive of substantial utility. But there is reason to doubt, whether in such channels it is likely to find sufficient employment; and still more whether many of those who possess it, would be as readily attracted to objects of this nature, as to manufacturing pursuits; which bear greater analogy to those to which they are accustomed, and to the spirit generated by them.

To open the one field as well as the other, will at least secure a better prospect of useful employment, for whatever accession of money there has been or may be.

There is at the present juncture, a certain fermentation of mind, a certain activity of speculation and enterprise, which, if properly directed, may be made subservient to useful purposes; but which, if left entirely to itself, may be attended with pernicious effects.

The disturbed state of Europe, inclining its citizens to emigration, the requisite workmen will be more easily acquired than at another time; and the effect of multiplying the opportunities of employ-

ment to those who emigrate, may be an increase of the number and extent of valuable acquisitions to the population, arts, and industry of the country.

To find pleasure in the calamities of other nations would be criminal; but to benefit ourselves by opening an asylum to those who suffer in consequence of them, is as justifiable as it is politic.

A full view having now been taken of the inducements to the promotion of manufactures in the United States, accompanied with an examination of the principal objections which are commonly urged *in opposition;* it is proper, in the next place, to consider the means by which it may be effected, as introductory to a specification of the objects, which in the present state of things appear the most fit to be encouraged, and of the particular measures which it may be adviseable to adopt in respect to each.

In order to a better judgment of the means proper to be resorted to by the United States, it will be of use to advert to those which have been employed with success in other countries. The principal of these are—

I. *Protecting duties—or duties on those foreign articles which are the rivals of the domestic ones intended to be encouraged.*

Duties of this nature evidently amount to a virtual bounty on the domestic fabrics, since by enhancing the charges on foreign articles, they enable the national manufacturers to undersell all their foreign competitors. The propriety of this species of encouragement need not be dwelt upon, as it is not only a clear result from the numerous topics which have been suggested, but is sanctioned by the laws of the United States, in a variety of instances; it has the additional recommendation of being a re-

source of revenue. Indeed, all the duties imposed on imported articles, though with an exclusive view to revenue, have the effect in contemplation; and, except where they fall on raw materials, wear a beneficent aspect towards the manufactures of the country.

II. *Prohibitions of rival articles, or duties equivalent to prohibitions.*

This is another, and an efficacious, mean of encouraging national manufactures; but in general it is only fit to be employed when a manufacture has made such a progress, and is in so many hands, as to insure a due competition, and an adequate supply on reasonable terms. Of duties equivalent to prohibitions, there are examples in the laws of the United States; and there are other cases to which the principle may be advantageously extended, but they are not numerous.

Considering a monopoly of the domestic market to its own manufacturers, as the reigning policy of manufacturing nations, a similar policy on the part of the United States, in every proper instance, is dictated, it might almost be said, by the principles of distributive justice; certainly by the duty of endeavouring to secure to their own citizens a reciprocity of advantages.

III. *Prohibitions of the exportation of the materials of manufactures.*

The desire of securing a cheap and plentiful supply for the national workmen; and, where the article is either peculiar to the country, or of peculiar quality there, the jealousy of enabling foreign workmen to rival those of the nation, with its own materials, are the leading motives to this species of regulation. It ought not to be affirmed, that it is in no

instance proper; but it is certainly one which ought to be adopted with great circumspection, and only in very plain cases. It is seen at once, that its immediate operation is to abridge the demand, and keep down the price of the produce of some other branch of industry, generally speaking, of agriculture, to the prejudice of those who carry it on; and though, if it be really essential to the prosperity of any very important national manufacture, it may happen that those who are injured in the first instance, may be eventually indemnified by the superior steadiness of an extensive domestic market, depending on that prosperity. Yet, in a matter in which there is so much room for nice and difficult combinations; in which such opposite considerations combat each other, prudence seems to dictate, that the expedient in question ought to be indulged with a sparing hand.

IV. *Pecuniary bounties.*

This has been found one of the most efficacious means of encouraging manufactures; and it is in some views the best. Though it has not yet been practised upon by the government of the United States; (unless the allowance on the exportation of dried and pickled fish, and salted meat, could be considered as a bounty,) and though it is less favoured by public opinion than some other modes. Its advantages are these—

1. It is a species of encouragement more positive and direct than any other, and for that very reason, has a more immediate tendency to stimulate and uphold new enterprises, increasing the chances of profit, and diminishing the risks of loss in the first attempts.

2. It avoids the inconvenience of a temporary augmentation of price, which is incident to some other modes, or it produces it to a less degree; either by making no addition to the charges on the rival foreign article, as in the case of protecting duties, or by making a smaller addition. The first happens, when the fund for the bounty is derived from a different object, (which may or may not increase the price of some other article, according to the nature of that object;) the second, when the fund is derived from the same or a similar object of foreign manufacture. One per cent. duty on the foreign article, converted into a bounty on the domestic, will have an equal effect with a duty of two per cent. exclusive of such bounty; and the price of the foreign commodity is liable to be raised, in the one case, in the proportion of one per cent.; in the other, in that of two per cent. Indeed, the bounty when drawn from another source, is calculated to promote a reduction of price; because, without laying any new charge on the foreign article, it serves to introduce a competition with it, and to increase the total quantity of the article in the market.

3. Bounties have not, like high protecting duties, a tendency to produce scarcity. An increase of price is not always the immediate, though, where the progress of a domestic manufacture does not counteract a rise, it is commonly the ultimate effect of an additional duty. In the interval between the laying of the duty, and a proportional increase of price, it may discourage importation, by interfering with the profits to be expected from the sale of the article.

4. Bounties are sometimes not only the best, but the only proper expedient for uniting the encourage-

ment of a new object of agriculture, with that of a new object of manufacture. It is the interest of the farmer to have the production of the raw material promoted, by counteracting the interference of the foreign material of the same kind. It is the interest of the manufacturer to have the material abundant and cheap. If, prior to the domestic production of the material, in sufficient quantity to supply the manufacturer on good terms, a duty be laid upon the importation of it from abroad, with a view to promote the raising of it at home, the interest both of the farmer and manufacturer will be disserved. By either destroying the requisite supply, or raising the price of the article beyond what can be afforded to be given for it, by the conductor of an infant manufacture, it is abandoned or fails; and there being no domestic manufactories to create a demand for the raw material which is raised by the farmer, it is in vain, that the competition of the like foreign article, may have been destroyed.

It cannot escape notice, that a duty upon the importation of an article can no otherwise aid the domestic production of it, than by giving the latter greater advantages in the home market. It can have no influence upon the advantageous sale of the article produced in foreign markets; no tendency, therefore, to promote its exportation.

The true way to conciliate these two interests is, to lay a duty on foreign *manufactures* of the material, the growth of which is desired to be encouraged, and to apply the produce of that duty, by way of bounty, either upon the production of the material itself, or upon its manufacture at home; or upon both. In this disposition of the thing, the manufacturer commences his enterprise under every advan-

tage which is attainable, as to quantity or price of the raw material. And the farmer, if the bounty be immediately to him, is enabled by it to enter into a successful competition with the foreign material. If the bounty be to the manufacturer, on so much of the domestic material as he consumes, the operation is nearly the same; he has a motive of interest to prefer the domestic commodity, if of equal quality, even at a higher price than the foreign, so long as the difference of price is any thing short of the bounty which is allowed upon the article.

Except the simple and ordinary kinds of household manufacture, or those for which there are very commanding local advantages, pecuniary bounties are in most cases indispensable to the introduction of a new branch. A stimulus and a support, not less powerful and direct, is, generally speaking, essential to the overcoming of the obstacles which arise from the competitions of superior skill and maturity elsewhere. Bounties are especially essential in regard to articles upon which those foreigners, who have been accustomed to supply a country, are in the practice of granting them.

The continuance of bounties on manufactures long established, must almost always be of questionable policy; because a presumption would arise in every such case, that there were natural and inherent impediments to success. But in new undertakings, they are as justifiable as they are oftentimes necessary.

There is a degree of prejudice against bounties from an appearance of giving away the public money, without an immediate consideration, and from a supposition that they serve to enrich particular classes at the expense of the community.

But neither of these sources of dislike will bear a serious examination. There is no purpose to which public money can be more beneficially applied, than to the acquisition of a new and useful branch of industry; no consideration more valuable than a permanent addition to the general stock of productive labour.

As to the second source of objection, it equally lies against other modes of encouragement, which are admitted to be eligible. As often as a duty upon a foreign article makes an addition to its price, it causes an extra expense to the community, for the benefit of the domestic manufacturer. A bounty does no more. But it is the interest of the society in each case to submit to a temporary expense, which is more than compensated by an increase of industry and wealth, by an augmentation of resources and independence, and by the circumstance of eventual cheapness, which has been noticed in another place.

It would deserve attention, however, in the employment of this species of encouragement in the United States, as a reason for moderating the degree of it in the instances in which it might be deemed eligible, that the great distance of this country from Europe imposes very heavy charges on all the fabrics which are brought from thence, amounting from 15 to 30 per cent. on their value, according to their bulk.

A question has been made concerning the constitutional right of the government of the United States to apply this species of encouragement, but there is certainly no good foundation for such a question. The National Legislature has express authority "To lay and collect taxes, duties, imposts, and excises;

to pay the debts, and provide for the *common defence* and *general welfare*," with no other qualifications than that "all duties, imposts, and excises, shall be *uniform* throughout the United States; that no capitation or other direct tax shall be laid unless in proportion to numbers ascertained by a census, or enumeration taken on the principles prescribed in the Constitution," and that "no tax or duty shall be laid on articles exported from any state."

These three qualifications excepted, the power to *raise money* is *plenary* and *indefinite;* and the objects to which it may be *appropriated* are no less comprehensive than the payment of the public debts, and the providing for the common defence and *general welfare*. The terms "*general welfare*" were doubtless intended to signify more than was expressed or imported in those which preceded; otherwise numerous exigencies incident to the affairs of a nation would have been left without a provision. The phrase is as comprehensive as any that could have been used; because it was not fit that the constitutional authority of the Union, to appropriate its revenues, should have been restricted within narrower limits than the "general welfare;" and because this necessarily embraces a vast variety of particulars, which are susceptible neither of specification nor of definition.

It is therefore of necessity left to the discretion of the National Legislature, to pronounce, upon the objects which concern the general welfare, and for which, under that description, an appropriation of money is requisite and proper. And there seems to be no room for a doubt that whatever concerns the general interests of LEARNING, of AGRICULTURE, of MANUFACTURES, and of COMMERCE, are within the sphere

of the National Councils, *as far as regards an application of money.*

The only qualification of the generality of the phrase in question, which seems to be admissible, is this—That the object to which an appropriation of money is to be made, be *general* and not *local;* its operation extending in fact, or by possibility, throughout the Union, and not being confined to a particular spot.

No objection ought to arise to this construction, from a supposition that it would imply a power to do whatever else should appear to Congress conducive to the general welfare. A power to appropriate money with this latitude, which is granted too in *express terms*, would not carry a power to do any other thing, not authorized in the constitution, either expressly, or by fair implication.

V. *Premiums.*

These are of a nature allied to bounties, though distinguishable from them in some important features.

Bounties are applicable to the whole quantity of an article produced, or manufactured, or exported; and involve a correspondent expense. Premiums serve to reward some particular excellence or superiority, some extraordinary exertion or skill; and are dispensed only in a small number of cases. But their effect is to stimulate general effort—contrived so as to be both honorary and lucrative, they address themselves to different passions; touching the chords as well of emulation as of interest. They are, accordingly, a very economical mean of exciting the enterprise of a whole community.

There are various societies, in different countries, whose object is the dispensation of premiums, for the

encouragement of *agriculture, arts, manufactures, and commerce;* and though they are for the most part voluntary associations, with comparatively slender funds, their utility has been immense. Much has been done by this mean in Great-Britain. Scotland, in particular, owes materially to it a prodigious melioration of condition. From a similar establishment in the United States, supplied and supported by the government of the Union, vast benefits might reasonably be expected. Some further ideas on this head, shall accordingly be submitted in the conclusion of this report.

VI. *The exemption of the materials of manufactures from duty.*

The policy of that exemption, as a general rule, particularly in reference to new establishments, is obvious. It can hardly ever be adviseable to add the obstructions of fiscal burthens to the difficulties which naturally embarrass a new manufacture; and where it is matured, and in condition to become an object of revenue, it is, generally speaking, better that the fabric, than the material, should be the subject of taxation. Ideas of proportion between the quantum of the tax and the value of the article, can be more easily adjusted in the former, than in the latter case. An argument for exemptions of this kind in the United States, is to be derived from the practice, as far as their necessities have permitted, of those nations whom we are to meet as competitors in our own and in foreign markets.

There are, however, exceptions to it; of which some examples will be given under the next head.

The laws of the Union afford instances of the observance of the policy here recommended, but it will

probably be found adviseable to extend it to some other cases. Of a nature, bearing some affinity to that policy, is the regulation which exempts from duty, the tools and implements, as well as the books, clothes, and household furniture of foreign artists, who come to reside in the United States; an advantage already secured to them by the laws of the Union, and which, it is, in every view, proper to continue.

VII. *Drawbacks of the duties which are imposed on the materials of manufactures.*

It has already been observed, as a general rule, that duties on those materials, ought, with certain exceptions, to be foreborne. Of these exceptions, three cases occur which may serve as examples.—One, where the material is itself an object of general or extensive consumption, and a fit and productive source of revenue.—Another, where a manufacture of a simpler kind, the competition of which with a like domestic article is desired to be restrained, partakes of the nature of a raw material, from being capable, by a further process, to be converted into a manufacture of a different kind, the introduction or growth of which is desired to be encouraged.—A third, where the material itself is a production of the country, and in sufficient abundance to furnish a cheap and plentiful supply to the national manufacturers.

Under the first description comes the article of molasses. It is not only a fair object of revenue, but being a sweet, it is just that the consumers of it should pay a duty as well as the consumers of sugar.

Cottons and linen, in their white state, fall under the second description. A duty upon such as are imported, is proper to promote the domestic manu-

facture of similar articles in the same state—a drawback of that duty is proper to encourage the printing and staining at home, of those which are brought from abroad. When the first of these manufactures has attained sufficient maturity in a country to furnish a full supply for the second, the utility of the drawback ceases.

The article of hemp, either now does, or may be expected soon to exemplify, the third case in the United States.

Where duties on the materials of manufactures are not laid for the purpose of preventing a competition with some domestic production, the same reasons which recommend, as a general rule, the exemption of those materials from duties, would recommend, as a like general rule, the allowance of drawbacks in favour of the manufacturer. Accordingly, such drawbacks are familiar in countries which systematically pursue the business of manufactures; which furnishes an argument for the observance of a similar policy in the United States: and the idea has been adopted by the laws of the Union, in the instances of salt and molasses. It is believed that it will be found advantageous to extend it to some other articles.

VIII. *The encouragement of new inventions and discoveries, at home, and of the introduction into the United States of such as may have been made in other countries; particularly those which relate to machinery.*

This is among the most useful and unexceptionable of the aids which can be given to manufactures. The usual means of that encouragement are pecuniary rewards, and, for a time, exclusive privileges. The first must be employed, according to the occasion, and the

utility of the invention, or discovery. For the last, so far as respects "authors and inventors," provision has been made by law. But it is desirable in regard to improvements and secrets of extraordinary value, to be able to extend the same benefit to introducers, as well as authors and inventors; a policy which has been practised with advantage in other countries. Here, however, as in some other cases, there is cause to regret, that the competency of the authority of the National Government to the *good*, which might be done, is not without a question. Many aids might be given to industry; many internal improvements of primary magnitude might be promoted, by an authority operating throughout the Union, which cannot be effected, as well, if at all, by an authority confined within the limits of a single state.

But if the Legislature of the Union cannot do all the good that might be wished, it is at least desirable, that all may be done which is practicable. Means for promoting the introduction of foreign improvements, though less efficaciously than might be accomplished with more adequate authority, will form a part of the plan intended to be submitted in the close of this report.

It is customary with manufacturing nations to prohibit, under severe penalties, the exportation of implements and machines, which they have either invented or improved. There are already objects for a similar regulation in the United States; and others may be expected to occur from time to time. The adoption of it seems to be dictated by the principle of reciprocity. Greater liberality, in such respects, might better comport with the general spirit of the country; but a selfish and exclusive policy in other quarters, will not always permit the free indulgence

of a spirit, which would place us upon an unequal footing. As far as prohibitions tend to prevent foreign competitors from deriving the benefit of the improvements made at home, they tend to increase the advantages of those by whom they may have been introduced; and operate as an encouragement to extension.

IX. *Judicious regulations for the inspection of manufactured commodities.*

This is not among the least important of the means, by which the prosperity of manufactures may be promoted. It is indeed in many cases one of the most essential: Contributing to prevent frauds upon consumers at home, and exporters to foreign countries—to improve the quality and preserve the character of the national manufactures, it cannot fail to aid the expeditious and advantageous sale of them, and to serve as a guard against successful competition from other quarters. The reputation of the flour and lumber of some states, and of the potash of others, has been established by an attention to this point. And the like good name might be procured for those articles, wheresoever produced, by a judicious and uniform system of inspection, throughout the ports of the United States. A like system might also be extended with advantage to other commodities.

X. *The facilitating of pecuniary remittances from place to place—*

Is a point of considerable moment to trade in general, and to manufactures in particular; by rendering more easy the purchase of raw materials and provisions, and the payment for manufactured supplies. A general circulation of bank paper, which is to be expected from the institution lately established, will be a most valuable mean to this end. But much

good would also accrue from some additional provisions respecting inland bills of exchange. If those drawn in one state payable in another, were made negociable every where, and interest and damages allowed in case of protest, it would greatly promote negociations between the citizens of different states, by rendering them more secure; and with it the convenience and advantage of the merchants and manufacturers of each.

XI. *The facilitating of the transportation of commodities.*

Improvements favouring this object, intimately concern all the domestic interests of a community; but they may, without impropriety, be mentioned as having an important relation to manufactures. There is perhaps scarcely any thing, which has been better calculated to assist the manufactures of Great-Britain, than the meliorations of the public roads of that kingdom, and the great progress which has been of late made in opening canals. Of the former, the United States stand much in need; for the latter, they present uncommon facilities.

The symptoms of attention to the improvement of inland navigation, which have lately appeared in some quarters, must fill with pleasure every breast warmed with a true zeal for the prosperity of the country. These examples, it is to be hoped, will stimulate the exertions of the government and citizens of every state. There can certainly be no object more worthy of the cares of the local administrations; and it were to be wished, that there was no doubt of the power of the national government to lend its direct aid, on a comprehensive plan. This is one of those improvements, which could be prosecuted with more efficacy by the whole, than by any

part or parts of the Union. There are cases in which the general interest will be in danger to be sacrificed to the collision of some supposed local interests. Jealousies in matters of this kind, are as apt to exist, as they are apt to be erroneous.

The following remarks are sufficiently judicious and pertinent to deserve a literal quotation: "Good roads, canals, and navigable rivers, by diminishing the expense of carriage, put the *remote parts of a country* more nearly upon a level with those in the neighbourhood of the town. They are *upon that account* the greatest of all improvements. They encourage the cultivation of the remote, which must always be the most extensive circle of the country. They are advantageous to the town, by breaking down the monopoly of the country in its neighbourhood. They are advantageous *even to that part of the country.* Though they introduce some rival commodities into the old market, they open many new markets to its produce. Monopoly, besides, is a great enemy to good management, which can never be universally established, but in consequence of that free and universal competition, which forces every body to have recourse to it for the sake of self-defence. It is not more than fifty years ago that *some of the counties in the neighbourhood of London, petitioned the Parliament against the extension of the turnpike roads into the remoter counties. Those remoter counties, they pretended, from the cheapness of labour, would be able to sell their grass and corn cheaper in the London market than themselves, and they would thereby reduce their rents, and ruin their cultivation.* Their rents, however, have risen, and their cultivation has been improved, since that time."

Specimens of a spirit, similar to that which governed the counties here spoken of, present themselves too frequently to the eye of an impartial observer, and render it a wish of patriotism, that the body in this country, in whose councils a local or partial spirit is least likely to predominate, were at liberty to pursue and promote the general interest, in those instances in which there might be danger of the interference of such a spirit.

The foregoing are the principal of the means, by which the growth of manufactures is ordinarily promoted. It is, however, not merely necessary that the measures of government, which have a direct view to manufactures, should be calculated to assist and protect them; but that those which only collaterally affect them, in the general course of the administration, should be guarded from any peculiar tendency to injure them.

There are certain species of taxes which are apt to be oppressive to different parts of the community, and, among other ill effects, have a very unfriendly aspect towards manufactures. All poll or capitation taxes are of this nature. They either proceed according to a fixed rate, which operates unequally and injuriously to the industrious poor; or they vest a discretion in certain officers, to make estimates and assessments, which are necessarily vague, conjectural, and liable to abuse. They ought, therefore, to be abstained from in all but cases of distressing emergency.

All such taxes, (including all taxes on occupations,) which proceed according to the amount of capital *supposed* to be employed in a business, or of profits *supposed* to be made in it, are unavoidably hurtful to industry. It is in vain that the evil may be endea-

voured to be mitigated by leaving it, in the first instance, in the option of the party to be taxed, to declare the amount of his capital or profits.

Men engaged in any trade or business, have commonly weighty reasons to avoid disclosures which would expose, with any thing like accuracy, the real state of their affairs. They most frequently find it better to risk oppression, than to avail themselves of so inconvenient a refuge. And the consequence is, that they often suffer oppression.

When the disclosure, too, if made, is not definitive, but controllable by the discretion; or, in other words, by the passions and prejudices of the revenue officers, it is not only an ineffectual protection, but the possibility of its being so, is an additional reason for not resorting to it.

Allowing to the public officers the most equitable dispositions; yet, where they are to exercise a discretion without certain data, they cannot fail to be often misled by appearances. The quantity of business which seems to be going on, is, in a vast number of cases, a very deceitful criterion of the profits which are made; yet it is, perhaps, the best they can have, and it is the one on which they will most naturally rely. A business, therefore, which may rather require aid from the government, than be in a capacity to be contributory to it, may find itself crushed by the mistaken conjectures of the assessors of taxes.

Arbitrary taxes, under which denomination are comprised all those that leave the *quantum* of the tax to be raised on each person, to the *discretion* of certain officers, are as contrary to the genius of liberty, as to the maxims of industry. In this light they

have been viewed by the most judicious observers on government, who have bestowed upon them the severest epithets of reprobation, as constituting one of the worst features usually to be met with in the practice of despotic governments.

It is certain, at least, that such taxes are particularly inimical to the success of manufacturing industry, and ought carefully to be avoided by a government which desires to promote it.

The great copiousness of the subject of this report, has insensibly led to a more lengthy preliminary discussion, than was originally contemplated or intended. It appeared proper to investigate principles, to consider objections, and to endeavour to establish the utility of the thing proposed to be encouraged; previous to a specification of the objects which might occur, as meriting or requiring encouragement; and of the measures which might be proper in respect to each. The first purpose having been fulfilled, it remains to pursue the second.

In the selection of objects, five circumstances seem entitled to particular attention:—The capacity of the country to furnish the raw material—the degree in which the nature of the manufacture admits of a substitute for manual labour in machinery—the facility of execution—the extensiveness of the uses to which the article can be applied—its subserviency to other interests, particularly the great one of national defence. There are, however, objects to which these circumstances are little applicable, which, for some special reasons, may have a claim to encouragement.

A designation of the principal raw material, of which each manufacture is composed, will serve to

introduce the remarks upon it.—As, in the first place,

IRON.

The manufactures of this article are entitled to pre-eminent rank. None are more essential in their kinds, nor so extensive in their uses. They constitute, in whole or in part, the implements or the materials, or both, of almost every useful occupation. Their instrumentality is every where conspicuous.

It is fortunate for the United States, that they have peculiar advantages for deriving the full benefit of this most valuable material; and they have every motive to improve it with systematic care. It is to be found in various parts of the United States in great abundance, and of almost every quality; and fuel, the chief instrument in manufacturing it, is both cheap and plenty. This particularly applies to charcoal; but there are productive coal mines already in operation, and strong indications that the material is to be found in abundance in a variety of other places.

The inquiries to which the subject of this report has led, have been answered with proofs, that manufactories of iron, though generally understood to be extensive, are far more so than is commonly supposed. The kinds in which the greatest progress has been made, have been mentioned in another place, and need not be repeated; but there is little doubt, that every other kind, with due cultivation, will rapidly succeed. It is worthy of remark, that several of the particular trades of which it is the basis, are capable of being carried on without the aid of large capitals.

Iron works have greatly increased in the United States, and are prosecuted with much more advantage than formerly. The average price before the revolution, was about sixty-four dollars per ton; at present it is about eighty—a rise which is chiefly to be attributed to the increase of manufactures of the material.

The still further extension and multiplication of such manufactures, will have the double effect of promoting the extraction of the metal itself, and of converting it to a greater number of profitable purposes.

Those manufactures, too, unite in a greater degree than almost any others, the several requisites which have been mentioned as proper to be consulted in the selection of objects.

The only further encouragement of manufactories of this article, the propriety of which may be considered as unquestionable, seems to be an increase of the duties on foreign rival commodities.

Steel is a branch which has already made a considerable progress, and it is ascertained that some new enterprises on a more extensive scale have been lately set on foot. The facility of carrying it to an extent which will supply all internal demands, and furnish a considerable surplus for exportation, cannot be doubted. The duty upon the importation of this article, which is at present seventy-five cents per cwt. may, it is conceived, be safely and advantageously extended to 100 cents. It is desirable, by decisive arrangements, to second the efforts which are making in so very valuable a branch.

The United States already in a great measure supply themselves with nails and spikes. They are able, and ought certainly to do it entirely. The first and most laborious operation in this manufacture, is

performed by water-mills; and of the persons afterwards employed, a great proportion are boys, whose early habits of industry are of importance to the community, to the present support of their families, and to their own future comfort. It is not less curious than true, that in certain parts of the country, the making of nails is an occasional family manufacture.

The expediency of an additional duty on these articles is indicated by an important fact. About 1,800,000 pounds of them were imported into the United States in the course of a year, ending the 30th of September, 1790. A duty of two cents per pound would, it is presumable, speedily put an end to so considerable an importation. And it is in every view proper, that an end should be put to it.

The manufacture of these articles, like that of some others, suffers from the carelessness and dishonesty of a part of those who carry it on. An inspection, in certain cases, might tend to correct the evil. It will deserve consideration, whether a regulation of this sort cannot be applied without inconvenience to the exportation of the articles, either to foreign countries, or from one state to another.

The implements of husbandry are made in several states in great abundance. In many places it is done by the common blacksmiths. And there is no doubt that an ample supply for the whole country can with great ease be procured among ourselves.

Various kinds of edged tools for the use of mechanics are also made; and a considerable quantity of hollow wares; though the business of castings has not yet attained the perfection which might be wished. It is, however, improving, and as there are

respectable capitals in good hands, embarked in the prosecution of those branches of iron manufactories, which are yet in their infancy, they may all be contemplated as objects not difficult to be acquired.

To insure the end, it seems equally safe and prudent to extend the duty ad valorem upon all manufactures of iron, or of which iron is the article of chief value, to ten per cent.

Fire arms, and other military weapons, may, it is conceived, be placed without inconvenience in the class of articles rated at fifteen per cent. There exist already manufactories of these articles, which only require the stimulus of a certain demand to render them adequate to the supply of the United States.

It would also be a material aid to manufactures of this nature, as well as a mean of public security, if provision should be made for an annual purchase of military weapons of home manufacture, to a certain determinate extent, in order to the formation of arsenals; and to replace from time to time, such as should be withdrawn for use, so as always to have in store the quantity of each kind which should be deemed a competent supply.

But it may hereafter deserve legislative consideration, whether manufactories of all the necessary weapons of war, ought not to be established on account of government itself. Such establishments are agreeable to the usual practice of nations, and that practice seems founded on sufficient reason.

There appears to be an improvidence in leaving these essential instruments of national defence to the casual speculations of individual adventure; a resource which can less be relied upon in this case, than in most others: the articles in question not be-

ing objects of ordinary and indispensable private consumption or use. As a general rule, manufactories on the immediate account of government are to be avoided; but this seems to be one of the few exceptions which that rule admits, depending on very special reasons.

Manufactures of steel generally, or of which steel is the article of chief value, may with advantage be placed in the class of goods rated at seven and an half per cent. As manufactures of this kind have not yet made any considerable progress, it is a reason for not rating them as high as those of iron; but as this material is the basis of them, and as their extension is not less practicable than important, it is desirable to promote it by a somewhat higher duty than the present.

A question arises, how far it might be expedient to permit the importation of iron in pigs and bars free from duty? It would certainly be favourable to manufacturers of the article; but the doubt is, whether it might not interfere with its production.

Two circumstances, however, abate, if they do not remove, apprehension on this score. One is, the considerable increase of price, which has already been remarked, and which renders it probable, that the free admission of foreign iron would not be inconsistent with an adequate profit to the proprietors of iron works; the other is, the augmentation of demand which would be likely to attend the increase of manufactures of the article, in consequence of the additional encouragements proposed to be given. But caution, nevertheless, in a matter of this kind, is most adviseable. The measure suggested, ought, perhaps, rather to be contemplated, subject to the lights of further experience, than immediately adopted.

COPPER.

The manufactures of which this article is susceptible are also of great extent and utility. Under this description, those of brass, of which it is the principal ingredient, are intended to be included.

The material is a natural production of the country. Mines of copper have actually been wrought, and with profit to the undertakers, though it is not known that any are now in this condition. And nothing is easier than the introduction of it from other countries on moderate terms, and in great plenty.

Coppersmiths and brass-founders, particularly the former, are numerous in the United States; some of whom carry on business to a respectable extent.

To multiply and extend manufactories of the materials in question, is worthy of attention and effort. In order to this, it is desirable to facilitate a plentiful supply of the materials. And a proper mean to this end is, to place them in the class of free articles. Copper in plates and brass are already in this predicament; but copper in pigs and bars is not; neither is *lapis calaminaris*, which, together with *copper* and *charcoal*, constitute the component ingredients of brass. The exemption from duty, by parity of reason, ought to embrace all such of these articles as are objects of importation.

An additional duty on brass wares, will tend to the general end in view. These now stand at five per cent. while those of tin, pewter, and copper, are rated at seven and an half. There appears to be a propriety, in every view, in placing brass wares upon the same level with them; and it merits considera-

tion, whether the duty upon all of them, ought not to be raised to ten per cent.

LEAD.

There are numerous proofs, that this material abounds in the United States, and requires little to unfold it to an extent more than equal to every domestic occasion. A prolific mine of it has long been open in the south-western parts of Virginia, and under a public administration, during the late war, yielded a considerable supply for military use. This is now in the hands of individuals, who not only carry it on with spirit, but have established manufactories of it at Richmond, in the same state.

The duties already laid upon the importation of this article, either in its unmanufactured or manufactured state, insure it a decisive advantage in the home market—which amounts to considerable encouragement. If the duty on pewter wares should be raised, it would afford a further encouragement. Nothing else occurs as proper to be added.

FOSSIL COAL.

This, as an important instrument of manufactures, may, without impropriety, be mentioned among the subjects of this report.

A copious supply of it would be of great consequence to the iron branch. As an article of household fuel, also, it is an interesting production; the utility of which must increase in proportion to the decrease of wood, by the progress of settlement and cultivation. And its importance to navigation, as

an immense article of transportation coast-wise, is signally exemplified in Great-Britain.

It is known, that there are several coal mines in Virginia, now worked; and appearances of their existence are familiar in a number of places.

The expediency of a bounty on all this species of coal of home production, and of premiums on the opening of new mines, under certain qualifications, appears to be worthy of particular examination. The great importance of the article will amply justify a reasonable expense in this way, if it shall appear to be necessary to, and shall be thought likely to answer, the end.

WOOD.

Several manufactures of this article flourish in the United States. Ships are no where built in greater perfection, and cabinet-wares, generally, are made little, if at all, inferior to those of Europe. Their extent is such as to have admitted of considerable exportation.

An exemption from duty of the several kinds of wood ordinarily used in these manufactures, seems to be all that is requisite by way of encouragement. It is recommended, by the consideration of a similar policy being pursued in other countries, and by the expediency of giving equal advantages to our own workmen in wood. The abundance of timber proper for ship-building in the United States, does not appear to be any objection to it. The increasing scarcity, and growing importance of that article in the European countries, admonish the United States to commence, and systematically to pursue, measures for the preservation of their stock. Whatever may

promote the regular establishment of magazines of ship timber, is, in various views, desirable.

SKINS.

There are scarcely any manufactories of greater importance, than of this article. Their direct and very happy influence upon agriculture, by promoting the raising of cattle of different kinds, is a very material recommendation.

It is pleasing, too, to observe the extensive progress they have made in their principal branches; which are so far matured as almost to defy foreign competition. Tanneries, in particular, are not only carried on as a regular business, in numerous instances, and in various parts of the country, but they constitute, in some places, a valuable item of incidental family manufactures.

Representations, however, have been made, importing the expediency of further encouragement to the leather branch, in two ways; one, by increasing the duty on the manufactures of it, which are imported; the other, by prohibiting the exportation of bark. In support of the latter it is alleged, that the price of bark, chiefly in consequence of large exportations, has risen, within a few years, from about three dollars, to four and an half per cord.

These suggestions are submitted rather as intimations which merit considerations, than as matters, the propriety of which is manifest. It is not clear, that an increase of duty is necessary; and in regard to the prohibition desired, there is no evidence of any considerable exportation hitherto; and it is most probable, that whatever augmentation of price may have taken place, is to be attributed to an extension

of the home demand from the increase of manufactures, and to a decrease of the supply, in consequence of the progress of settlement, rather than to the quantities which have been exported.

It is mentioned, however, as an additional reason for the prohibition, that one species of the bark usually exported, is in some sort peculiar to the country; and the material of a very valuable dye, of great use in some other manufactures in which the United States have begun a competition.

There may also be this argument in favour of an increase of duty. The object is of importance enough to claim decisive encouragement; and the progress which has been made, leaves no room to apprehend any inconvenience on the score of supply from such an increase.

It would be of benefit to this branch, if glue, which is now rated at five per cent. were made the object of an excluding duty. It is already made in large quantities at various tanneries; and, like paper, is an entire economy of materials, which, if not manufactured, would be left to perish. It may be placed with advantage in the class of articles paying fifteen per cent.

GRAIN.

Manufactures of the several species of this article, have a title to peculiar favour; not only because they are most of them immediately connected with the subsistence of the citizens, but because they enlarge the demand for the most precious products of the soil.

Though flour may with propriety be noticed as a manufacture of grain, it were useless to do it, but

for the purpose of submitting the expediency of a general system of inspection throughout the ports of the United States; which, if established upon proper principles, would be likely to improve the quality of our flour every where, and to raise its reputation in foreign markets. There, are, however, considerations which stand in the way of such an arrangement.

Ardent spirits and malt liquors are, next to flour, the two principal manufactures of grain. The first has made a very extensive, the last a considerable progress in the United States. In respect to both, an exclusive possession of the home market ought to be secured to the domestic manufacturers, as fast as circumstances will admit. Nothing is more practicable, and nothing more desirable.

The existing laws of the United States have done much towards attaining this valuable object; but some additions to the present duties on foreign distilled spirits, and foreign malt liquors, and, perhaps, an abatement of those on home-made spirits, would more effectually secure it; and there does not occur any very weighty objection to either.

An augmentation of the duties on imported spirits, would favour, as well the distillation of spirits from molasses, as that from grain. And to secure to the nation the benefit of a manufacture, even of foreign materials, is always of great, though perhaps of secondary importance.

A strong impression prevails in the minds of those concerned in distilleries, (including, too, the most candid and enlightened,) that greater differences in the rates of duty on foreign and domestic spirits, are necessary completely to secure the successful manu-

facture of the latter; and there are facts which entitle this impression to attention.

It is known, that the price of molasses, for some years past, has been successively rising in the West-India markets, owing partly to a competition which did not formerly exist, and partly to an extension of demand in this country; and it is evident, that the late disturbances in those Islands, from which we draw our principal supply, must so far interfere with the production of the article, as to occasion a material enhancement of price. The destruction and devastation attendant on the insurrection in Hispaniola in particular, must not only contribute very much to that effect, but may be expected to give it some duration. These circumstances, and the duty of three cents per gallon on molasses, may render it difficult for the distillers of that material to maintain, with adequate profit, a competition with the rum brought from the West-Indies, the quality of which is so considerably superior.

The consumption of Geneva, or gin, in this country, is extensive. It is not long since distilleries of it have grown up among us, to any importance. They are now becoming of consequence, but being still in their infancy, they require protection.

It is represented, that the price of some of the materials is greater here than in Holland, from which place large quantities are brought—the price of labour considerably greater—the capitals engaged in the business there, much larger than those which are employed here—the rate of profits, at which the undertakers can afford to carry it on, much less—the prejudices in favour of imported gin, strong. These circumstances are alleged, to outweigh the charges which attend the bringing of the article from Europe to

the United States, and the present difference of duty, so as to obstruct the prosecution of the manufacture with due advantage.

Experiment could, perhaps, alone decide with certainty the justness of the suggestions which are made; but in relation to branches of manufacture so important, it would seem inexpedient to hazard an unfavourable issue, and better to err on the side of too great, than of too small, a difference in the particular in question.

It is, therefore, submitted, that an addition of two cents per gallon be made to the duty on imported spirits of the first class of proof, with a proportionable increase on those of higher proof; and that a deduction of one cent. per gallon be made from the duty on spirits distilled within the United States, beginning with the first class of proof, and a proportionable deduction from the duty on those of higher proof.

It is ascertained, that by far the greatest part of the malt liquors consumed in the United States, are the produce of domestic breweries. It is desirable, and, in all likelihood, attainable, that the whole consumption should be supplied by ourselves.

The malt liquors made at home, though inferior to the best, are equal to a great part of those which have been usually imported. The progress already made, is an earnest of what may be accomplished. The growing competition is an assurance of improvement. This will be accelerated by measures tending to invite a greater capital into this channel of employment.

To render the encouragement of domestic breweries decisive, it may be adviseable to substitute to the present rates of duty, eight cents per gallon ge-

nerally; and it will deserve to be considered as a guard against invasions, whether there ought not to be a prohibition of their importation, except in casks of considerable capacity. It is to be hoped, that such a duty would banish from the market foreign malt liquors of inferior quality; and that the best kind only would continue to be imported, till it should be supplanted by the efforts of equal skill or care at home.

Till that period, the importation so qualified, would be an useful stimulus to improvement; and in the mean time, the payment of the increased price for the enjoyment of a luxury, in order to the encouragement of a most useful branch of domestic industry, could not reasonably be deemed a hardship.

As a further aid to manufactures of grain, though upon a smaller scale, the articles of starch, hair-powder, and wafers, may with great propriety be placed among those which are rated at fifteen per cent. No manufactures are more simple, nor more completely within the reach of a full supply from domestic sources; and it is a policy, as common as it is obvious, to make them the objects either of prohibitory duties, or of express prohibition.

FLAX AND HEMP.

Manufactures of these articles have so much affinity to each other, and they are so often blended, that they may with advantage be considered in conjunction. The importance of the linen branch to agriculture—its precious effects upon household industry—the ease with which the materials can be produced at home to any requisite extent—the great advances which have been already made in the

coarser fabrics of them, especially in the family way, constitute claims of peculiar force to the patronage of government.

This patronage may be afforded in various ways; by promoting the growth of the materials; by increasing the impediments to an advantageous competition of rival foreign articles; by direct bounties or premiums upon the home manufacture.

First. *As to promoting the growth of the materials.*

In respect to hemp, something has been already done by the high duty upon foreign hemp. If the facilities for domestic production were not unusually great, the policy of the duty on the foreign raw material, would be highly questionable, as interfering with the growth of manufactures of it. But making the proper allowances for those facilities, and with an eye to the future and natural progress of the country, the measure does not appear, upon the whole, exceptionable.

A strong wish naturally suggests itself, that some method could be devised, of affording a more direct encouragement to the growth both of flax and hemp; such as would be effectual, and at the same time not attended with too great inconveniences. To this end, bounties and premiums offer themselves to *consideration;* but no modification of them has yet occurred, which would not either hazard too much expense, or operate unequally in reference to the circumstances of different parts of the Union; and which would not be attended with very great difficulties in the execution.

Secondly. *As to increasing the impediments to an advantageous competition of rival foreign articles.*

To this purpose, an augmentation of the duties on importation is the obvious expedient; which, in re-

gard to certain articles, appears to be recommended by sufficient reasons.

The principal of these articles is sail-cloth; one intimately connected with navigation and defence; and of which a flourishing manufactory is established at Boston, and very promising ones at several other places.

It is presumed to be both safe and adviseable to place this in the class of articles rated at 10 per cent. A strong reason for it results from the consideration that a bounty of two pence sterling per ell is allowed in Great-Britain, upon the exportation of the sail-cloth manufactured in that kingdom.

It would likewise appear to be good policy to raise the duty to seven and an half per cent. on the following articles.—Drillings, osnaburgh, ticklenburghs, dowlas, canvass, brown rolls, bagging, and upon all other linens, the first cost of which at the place of exportation does not exceed 35 cents per yard. A bounty of 12½ per cent. upon an average, on the exportation of such or similar linens from Great-Britain, encourages the manufacture of them in that country, and increases the obstacles to a successful competition in the countries to which they are sent.

The quantities of tow and other household linens manufactured in different parts of the United States, and the expectations which are derived from some late experiments, of being able to extend the use of labour-saving machines in the coarser fabrics of linen, obviate the danger of inconvenience from an increase of the duty upon such articles, and authorize a hope of speedy and complete success to the endeavours which may be used for procuring an internal supply.

Thirdly. *As to direct bounties or premiums upon the manufactured articles.*

To afford more effectual encouragement to the manufacture, and at the same time to promote the cheapness of the article for the benefit of navigation, it will be of great use to allow a bounty of two cents per yard on all sail-cloth which is made in the United States from materials of their own growth. This would also assist the culture of those materials. An encouragement of this kind, if adopted, ought to be established for a moderate term of years, to invite to new undertakings, and to an extension of the old. This is an article of importance enough to warrant the employment of extraordinary means in its fauour.

COTTON.

There is something in the texture of this material which adapts it in a peculiar degree to the application of machines. The signal utility of the mill for spinning of cotton, not long since invented in England, has been noticed in another place; but there are other machines scarcely inferior in utility, which, in the different manufactories of this article, are employed either exclusively, or with more than ordinary effect. This very important circumstance recommends the fabrics of cotton, in a more particular manner, to a country in which a defect of hands constitutes the greatest obstacle to success.

The variety and extent of the uses to which the manufactures of this article are applicable, is another powerful argument in their favour.

And the faculty of the United States to produce the raw material in abundance, and of a quality which, though alleged to be inferior to some that is produced in other quarters, is, nevertheless, capable

of being used with advantage in many fabrics, and is probably susceptible of being carried, by a more experienced culture, to much greater perfection, suggests an additional and a very cogent inducement to the vigorous pursuit of the cotton branch, in its several subdivisions.

How much has been already done, has been stated in a preceding part of this report.

In addition to this, it may be announced, that a society is forming with a capital which is expected to be extended to at least half a million of dollars; on behalf of which, measures are already in train for prosecuting, on a large scale, the making and printing of cotton goods.

These circumstances conspire to indicate the expediency of removing any obstructions which may happen to exist to the advantageous prosecution of the manufactories in question, and of adding such encouragements as may appear necessary and proper.

The present duty of three cents per pound on the foreign raw material, is undoubtedly a very serious impediment to the progress of those manufactories.

The injurious tendency of similar duties, either prior to the establishment, or in the infancy of the domestic manufacture of the article, as it regards the manufacture; and their worse than inutility, in relation to the home production of the material itself, have been anticipated, particularly in discussing the subject of pecuniary bounties.

Cotton has not the same pretensions with hemp to form an exception to the general rule.

Not being, like hemp, an universal production of the country, it affords less assurance of an adequate internal supply; but the chief objection arises from the doubts which are entertained concerning the

quality of the national cotton. It is alleged, that the fibre of it is considerably shorter and weaker than that of some other places; and it has been observed as a general rule, that the nearer the place of growth to the equator, the better the quality of the cotton. That which comes from Cayenne, Surrinam, and Demarara, is said to be preferable, even at a material difference of price, to the cotton of the islands.

While a hope may reasonably be indulged, that with due care and attention, the national cotton may be made to approach nearer than it now does to that of regions somewhat more favoured by climate; and while facts authorize an opinion, that very great use may be made of it, and that it is a resource which gives greater security to the cotton fabrics of this country, than can be enjoyed by any which depends wholly on external supply, it will certainly be wise in every view, to let our infant manufactures have the full benefit of the best materials on the cheapest terms. It is obvious that the necessity of having such materials, is proportioned to the unskilfulness and inexperience of the workmen employed, who, if inexpert, will not fail to commit great waste, where the materials they are to work with are of an indifferent kind.

To secure to the national manufacturers so essential an advantage, a repeal of the present duty on imported cotton is indispensable.

A substitute for this, far more encouraging to domestic production, will be to grant a bounty on the national cotton, when wrought at a home manufactory; to which a bounty on the exportation of it may be added. Either, or both, would do much more towards promoting the growth of the article, than

the merely nominal encouragement, which it is proposed to abolish. The first would also have a direct influence in encouraging the manufacture.

The bounty which has been mentioned as existing in Great-Britain upon the exportation of coarse linens not exceeding a certain value, applies also to certain descriptions of cotton goods of similar value.

This furnishes an additional argument for allowing to the national manufacturers the species of encouragement just suggested, and indeed for adding some other aid

One cent per yard, not less than of a given width, on all goods of cotton, or of cotton and linen mixed, which are manufactured in the United States, with the addition of one cent per pound weight of the material, if made of national cotton, would amount to an aid of considerable importance, both to the production and to the manufacture of that valuable article. And it is conceived, that the expense would be well justified by the magnitude of the object.

The printing and staining of cotton goods, is known to be a distinct business from the fabrication of them. It is one easily accomplished, and which, as it adds materially to the value of the article in its white state, and prepares it for a variety of new uses, is of importance to be promoted.

As imported cottons, equally with those which are made at home, may be the objects of this manufacture, it will merit consideration, whether the whole, or a part of the duty, on the white goods, ought not to be allowed to be drawn back in favour of those who print or stain them. This measure would certainly operate as a powerful encouragement to the business; and though it may in a de-

gree counteract the original fabrication of the articles, it would probably more than compensate for this disadvantage in the rapid growth of a collateral branch which is of a nature sooner to attain to maturity. When a sufficient progress shall have been made, the drawback may be abrogated, and by that time the domestic supply of the articles to be printed or stained, will have been extended.

If the duty of seven and an half per cent. on certain kinds of cotton goods were extended to all goods of cotton, or of which it is the principal material, it would probably more than counterbalance the effect of the drawback proposed in relation to the fabrication of the article. And no material objection occurs to such an extension. The duty, then, considering all the circumstances which attend goods of this description, could not be deemed inconveniently high; and it may be inferred from various causes that the prices of them would still continue moderate.

Manufactories of cotton goods not long since established at Beverly in Massachusetts, and at Providence, in the state of Rhode-Island, and conducted with a perseverance corresponding with the patriotic motives which began them, seem to have overcome the first obstacles to success; producing corderoys, velverets, fustians, jeans, and other similar articles, of a quality which will bear a comparison with the like articles brought from Manchester. The one at Providence has the merit of being the first in introducing into the United States the celebrated cotton mill; which not only furnishes materials for that manufactory itself, but for the supply of private families for household manufacture.

Other manufactories of the same material, as regular businesses, have also been begun at different places in the state of Connecticut, but all upon a smaller scale than those above mentioned. Some essays are also making in the printing and staining of cotton goods. There are several small establishments of this kind already on foot.

WOOL.

In a country, the climate of which partakes of so considerable a proportion of winter as that of a great part of the United States, the woollen branch cannot be regarded as inferior to any which relates to the clothing of the inhabitants.

Household manufactures of this material are carried on in different parts of the United States to a very interesting extent; but there is only one branch which, as a regular business, can be said to have acquired maturity. This is the making of hats.

Hats of wool, and of wool mixed with fur, are made in large quantities in different states; and nothing seems wanting but an adequate supply of materials to render the manufacture commensurate with the demand.

A promising essay towards the fabrication of cloths, cassimeres, and other woollen goods, is likewise going on at *Hartford*, in Connecticut. Specimens of the different kinds which are made, in the possession of the Secretary, evince that these fabrics have attained a very considerable degree of perfection. Their quality certainly surpasses any thing that could have been looked for in so short a time, and under so great disadvantages; and conspires with the scantiness of the means, which have been at the

command of the directors, to form the eulogium of that public spirit, perseverance, and judgment, which have been able to accomplish so much.

To cherish and bring to maturity this precious embryo, must engage the most ardent wishes, and proportionable regret, as far as the means of doing it may appear difficult or uncertain.

Measures which should tend to promote an abundant supply of wool of good quality, would probably afford the most efficacious aid that present circumstances permit.

To encourage the raising and improving the breed of sheep at home, would certainly be the most desirable expedient for that purpose; but it may not be alone sufficient, especially as it is yet a problem, whether our wool be capable of such a degree of improvement, as to render it fit for the finer fabrics.

Premiums would probably be found the best means of promoting the domestic, and bounties the foreign supply. The first may be within the compass of the institution hereafter to be submitted; the last would require a specific legislative provision. If any bounties are granted, they ought, of course, to be adjusted with an eye to quality as well as quantity.

A fund for this purpose may be derived from the addition of two and an half per cent. to the present rate of duty on carpets and carpeting; an increase, to which the nature of the articles suggests no objection, and which may at the same time furnish a motive the more to the fabrication of them at home; towards which some beginnings have been made.

SILK.

The production of this article is attended with great facility in most parts of the United States.

Some pleasing essays are making in Connecticut, as well towards that, as towards the manufacture of what is produced. Stockings, handkerchiefs, ribbons, and buttons, are made, though as yet but in small quantities.

A manufactory of lace, upon a scale not very extensive, has been long memorable at Ipswich, in the state of Massachusetts.

An exemption of the material from the duty which it now pays on importation, and premiums upon the production, to be dispensed under the direction of the institution before alluded to, seem to be the only species of encouragement adviseable at so early a stage of the thing.

GLASS.

The materials for making glass are found every where. In the United States there is no deficiency of them. The sands and stones called Tarso, which include flinty and chrystalline substances generally, and the salts of various plants, particularly of the sea-weed kali, or kelp, constitute the essential ingredients. An extraordinary abundance of fuel, is a particular advantage enjoyed by this country for such manufactures. They, however, require large capitals, and involve much manual labour.

Different manufactories of glass are now on foot in the United States. The present duty of twelve and an half per cent. on all imported articles of glass, amount to a considerable encouragement to those manufactories. If any thing in addition is judged eligible, the most proper would appear to be a direct bounty on window-glass and black bottles.

The first recommends itself as an object of general convenience; the last adds to that character, the circumstance of being an important item in breweries. A complaint is made of great deficiency in this respect.

GUN-POWDER.

No small progress has been of late made in the manufacture of this very important article. It may, indeed, be considered as already established; but its high importance renders its further extension very desirable.

The encouragements which it already enjoys, are a duty of ten per cent. on the foreign rival article, and an exemption of salt-petre, one of the principal ingredients of which it is composed, from duty. A like exemption of sulphur, another chief ingredient, would appear to be equally proper. No quantity of this article has yet been produced from internal sources. The use made of it in finishing the bottoms of ships, is an additional inducement to placing it in the class of free goods. Regulations for the careful inspection of the article would have a favourable tendency.

PAPER.

Manufactories of paper are among those which are arrived at the greatest maturity in the United States, and are most adequate to national supply. That of paper-hangings is a branch in which respectable progress has been made.

Nothing material seems wanting to the further success of this valuable branch, which is already

protected by a competent duty on similar imported articles.

In the enumeration of the several kinds made subject to that duty, sheathing and cartridge paper have been omitted. These being the most simple manufactures of the sort, and necessary to military supply, as well as ship-building, recommend themselves, equally with those of other descriptions, to encouragement, and appear to be as fully within the compass of domestic exertions.

PRINTED BOOKS.

The great number of presses disseminated throughout the Union, seem to afford an assurance, that there is no need of being indebted to foreign countries for the printing of the books which are used in the United States. A duty of ten per cent. instead of five, which is now charged upon the article, would have a tendency to aid the business internally.

It occurs, as an objection to this, that it may have an unfavourable aspect towards literature, by raising the prices of books in universal use in private families, schools, and other seminaries of learning. But the difference it is conceived would be without effect.

As to books which usually fill the libraries of the wealthier classes, and of professional men, such an augmentation of prices, as might be occasioned by an additional duty of five per cent. would be too little felt to be an impediment to the acquisition.

And with regard to books which may be specially imported for the use of particular seminaries of learning, and of public libraries, a total exemption from

duty would be advisable, which would go towards obviating the objection just mentioned. They are now subject to a duty of five per cent.

As to the books in most general family use, the constancy and universality of the demand, would ensure exertions to furnish them at home, and the means are completely adequate. It may also be expected ultimately, in this as in other cases, that the extension of the domestic manufacture would conduce to the cheapness of the article.

It ought not to pass unremarked, that to encourage the printing of books, is to encourage the manufacture of paper.

REFINED SUGARS AND CHOCOLATE

Are among the number of extensive and prosperous domestic manufactures.

Drawbacks of the duties upon the materials of which they are respectively made, in cases of exportation, would have a beneficial influence upon the manufacture, and would conform to a precedent, which has been already furnished in the instance of molasses, on the exportation of distilled spirits.

Cocoa—the raw material now pays a duty of one cent per pound, while chocolate, which is a prevailing and very simple manufacture, is comprised in the mass of articles rated at no more than five per cent.

There would appear to be a propriety in encouraging the manufacture, by a somewhat higher duty on its foreign rival, than is paid on the raw material. Two cents per pound on imported chocolate, would, it is presumed, be without inconvenience.

THE foregoing heads comprise the most important of the several kinds of manufactures which have occurred as requiring, and, at the same time, as most proper for public encouragement; and such measures for affording it, as have appeared best calculated to answer the end, have been suggested.

The observations which have accompanied this delineation of objects, supersede the necessity of many supplementary remarks. One or two, however, may not be altogether superfluous.

Bounties are in various instances proposed as one species of encouragement.

It is a familiar objection to them, that they are difficult to be managed, and liable to frauds. But neither that difficulty nor this danger seems sufficiently great to countervail the advantages of which they are productive, when rightly applied. And it is presumed to have been shown, that they are in some cases, particularly in the infancy of new enterprises, indispensable.

It will, however, be necessary to guard with extraordinary circumspection the manner of dispensing them. The requisite precautions have been thought of; but to enter into the detail would swell this report, already voluminous, to a size too inconvenient.

If the principle shall not be deemed inadmissible, the means of avoiding an abuse of it will not be likely to present insurmountable obstacles. There are useful guides from practice in other quarters.

It shall, therefore, only be remarked here, in relation to this point, that any bounty which may be applied to the *manufacture* of an article, cannot with safety extend beyond those manufactories at which the making of the article is a *regular trade*. It

would be impossible to annex adequate precautions to a benefit of that nature, if extended to every private family in which the manufacture was incidentally carried on; and its being a merely incidental occupation, which engages a portion of time that would otherwise be lost, it can be advantageously carried on without so special an aid.

The possibility of a diminution of the revenue, may also present itself, as an objection to the arrangements which have been submitted.

But there is no truth which may be more firmly relied upon, than that the interests of the revenue are promoted by whatever promotes an increase of national industry and wealth.

In proportion to the degree of these, is the capacity of every country to contribute to the public treasury; and where the capacity to pay is increased, or even is not decreased, the only consequence of measures which diminish any particular resource, is a change of the object. If by encouraging the manufacture of an article at home, the revenue, which has been wont to accrue from its importation, should be lessened, an indemnification can easily be found, either out of the manufacture itself, or from some other object which may be deemed more convenient.

The measures, however, which have been submitted, taken aggregately, will, for a long time to come, rather augment than decrease the public revenue.

There is little room to hope, that the progress of manufactures will so equally keep pace with the progress of population, as to prevent even a gradual augmentation of the product of the duties on imported articles.

As, nevertheless, an abolition in some instances, and a reduction in others, of duties which have been pledged for the public debt is proposed, it is essential that it should be accompanied with a competent substitute. In order to this, it is requisite that all the additional duties which shall be laid, be appropriated, in the first instance, to replace all defalcations which may proceed from any such abolition or diminution. It is evident at first glance, that they will not only be adequate to this, but will yield a considerable surplus. This surplus will serve,

First. To constitute a fund for paying the bounties which have been decreed.

Secondly. To constitute a fund for the operations of a board, to be established for promoting arts, agriculture, manufactures, and commerce. Of this institution, different intimations have been given in the course of this report. An outline of a plan for it shall now be submitted.

Let a certain annual sum be set apart, and placed under the management of commissioners, not less than three, to consist of certain officers of the government and their successors in office.

Let these commissioners be empowered to apply the fund confided to them, to defray the expenses of the emigration of artists and manufacturers, in particular branches of extraordinary importance—to induce the prosecution and introduction of useful discoveries, inventions, and improvements, by proportionate rewards, judiciously held out and applied—to encourage by premiums, both honourable and lucrative, the exertions of individuals, and of classes, in relation to the several objects they are charged with promoting—and to af-

ford such other aids to those objects as may be generally designated by law.

The commissioners to render to the legislature an annual account of their transactions and disbursements; and all such sums as shall not have been applied to the purposes of their trust, at the end of every three years, to revert to the treasury. It may also be enjoined upon them, not to draw out the money, but for the purpose of some specific disbursement.

It may, moreover, be of use to authorize them to receive voluntary contributions; making it their duty to apply them to the particular objects for which they may have been made, if any shall have been designated by the donors.

There is reason to believe that the progress of particular manufactures has been much retarded by the want of skilful workmen; and it often happens that the capitals employed are not equal to the purposes of bringing from abroad workmen of a superior kind. Here, in cases worthy of it, the auxiliary agency of government would in all probability be useful. There are also valuable workmen in every branch, who are prevented from emigrating solely by the want of means. Occasional aids to such persons, properly administered, might be a source of valuable acquisitions to the country.

The propriety of stimulating, by rewards, the invention and introduction of useful improvements, is admitted without difficulty. But the success of attempts in this way, must evidently depend much on the manner of conducting them. It is probable, that the placing of the dispensation of those rewards under some proper discretionary direction,

where they may be accompanied by *collateral expedients*, will serve to give them the surest efficacy. It seems impracticable to apportion, by general rules, specific compensations for discoveries of unknown and disproportionate utility.

The great use which may be made of a fund of this nature, to procure and import foreign improvements, is particularly obvious. Among these, the article of machines would form a most important item.

The operation and utility of premiums have been adverted to; together with the advantages which have resulted from their dispensation, under the direction of certain public and private societies. Of this, some experience has been had in the instance of the Pennsylvania Society, for the promotion of manufactures and useful arts; but the funds of that association have been too contracted to produce more than a very small portion of the good to which the principles of it would have led. It may confidently be affirmed, that there is scarcely any thing which has been devised, better calculated to excite a general spirit of improvement than the institutions of this nature. They are truly invaluable.

In countries where there is great private wealth, much may be effected by the voluntary contributions of patriotic individuals; but in a community situated like that of the United States, the public purse must supply the deficiency of private resource. In what can it be so useful as in prompting and improving the efforts of industry?

All which is humbly submitted.

ALEXANDER HAMILTON,

Secretary of the Treasury.

REPORT

ON

THE ESTABLISHMENT

OF A

MINT.

The SECRETARY *of the* TREASURY, *having attentively considered the subject referred to him by the order of the* HOUSE OF REPRESENTATIVES, *of the fifteenth day of April last, relative to the establishment of a* MINT, *most respectfully submits the result of his inquiries and reflections.*

A PLAN for an establishment of this nature, involves a great variety of considerations, intricate, nice, and important. The general state of debtor and creditor; all the relations and consequences of PRICE; the essential interests of trade and industry; the value of all property; the whole income, both of the state and of individuals, are liable to be sensibly influenced, beneficially, or otherwise, by the judicious, or injudicious regulation of this interesting object.

It is one, likewise, not more necessary than difficult to be rightly adjusted; one which has frequently occupied the reflections and researches of politicians, without having harmonized their opinions on some of the most important of the principles which en-

ter into its discussion. Accordingly, different systems continue to be advocated, and the systems of different nations, after much investigation, continue to differ from each other.

But if a right adjustment of the matter be truly of such nicety and difficulty, a question naturally arises, whether it may not be most adviseable to leave things, in this respect, in the state in which they are? Why, might it be asked, since they have so long proceeded in a train, which has caused no general sensation of inconvenience, should alterations be attempted, the precise effect of which cannot with certainty be calculated?

The answer to this question is not perplexing.—The immense disorder which actually reigns in so delicate and important a concern, and the still greater disorder which is every moment possible, call loudly for a reform. The dollar, originally contemplated in the money transactions of this country, by successive diminutions of its weight and fineness, has sustained a depreciation of five per cent. And yet the new dollar has a currency in all payments in place of the old, with scarcely any attention to the difference between them. The operation of this, in depreciating the value of property depending upon past contracts, and, (as far as inattention to the alteration in the coin may be supposed to leave prices stationary,) of all other property, is apparent. Nor can it require argument to prove, that a nation ought not to suffer the value of the property of its citizens to fluctuate with the fluctuations of a foreign mint, and to change with the changes in the regulations of a foreign sovereign. This, nevertheless, is the condition of one, which having no coins of its own,

adopts with implicit confidence those of other countries.

The unequal values allowed in different parts of the union to coins of the same intrinsic worth; the defective species of them, which embarrass the circulation of some of the states; and the dissimilarity in their several monies of account, are inconveniences, which, if not to be ascribed to the want of a national coinage, will at least be most effectually remedied by the establishment of one; a measure that will at the same time give additional security against impositions by counterfeit, as well as by base currencies.

It was with great reason, therefore, that the attention of Congress, under the late confederation, was repeatedly drawn to the establishment of a mint; and it is with equal reason that the subject has been resumed; now that the favourable change which has taken place in the situation of public affairs, admits of its being carried into execution.

But though the difficulty of devising a proper establishment ought not to deter from undertaking so necessary a work; yet it cannot but inspire diffidence in one, whose duty it is made to propose a plan for the purpose; and may perhaps be permitted to be relied upon as some excuse for any errors which may be chargeable upon it, or for any deviations from sounder principles, which may have been suggested by others, or even in part acted upon by the former government of the United States.

In order to a right judgment of what ought to be done, the following particulars require to be discussed:

1st. What ought to be the nature of the money unit of the United States?

2d. What the proportion between gold and silver, if coins of both metals are to be established?

3d. What the proportion and composition of alloy in each kind?

4th. Whether the expense of coinage shall be defrayed by the government, or out of the material itself?

5th. What shall be the number, denominations, sizes, and devices of the coins?

6th. Whether foreign coins shall be permitted to be current or not? if the former, at what rate, and for what period?

A pre-requisite to determining with propriety what ought to be the money unit of the United States, is to endeavour to form as accurate an idea as the nature of the case will admit, of what it actually is. The pound, though of various value, is the unit in the money of account of all the States. But it is not equally easy to pronounce what is to be considered as the unit in the coins. There being no formal regulation on the point, (the resolutions of Congress of the 6th of July, 1785, and 8th of August, 1786, having never yet been carried into operation,) it can only be inferred from usage or practice. The manner of adjusting foreign exchanges, would seem to indicate the dollar as best entitled to that character. In these, the old piastre of Spain; or old Seville piece of eight rials, of the value of four shillings and six pence sterling, is evidently contemplated. The computed par between Great-Britain and Pennsylvania, will serve as an example. According to that, one hundred pounds sterling is equal to one hundred and sixty-six pounds and two-thirds of a pound Pennsylvania currency; which corresponds with the proportion between four shillings and six pence ster-

ling, and seven shillings and six pence, the current value of the dollar in that state, by invariable usage. And as far as the information of the Secretary goes, the same comparison holds in the other States.

"But this circumstance in favour of the dollar, loses much of its weight from two considerations. That species of coin has never had any settled or standard value, according to weight or fineness; but has been permitted to circulate by tale without regard to either; very much as a mere money of convenience; while gold has had a fixed price by weight, and with an eye to its fineness. This greater stability of value of the gold coins, is an argument of force for regarding the money unit as having been hitherto virtually attached to gold, rather than to silver.

Twenty-four grains, and six-eighths of a grain of fine gold, have corresponded with the nominal value of the dollar in the several states; without regard to the successive diminutions of its intrinsic worth.

"But if the dollar should, notwithstanding, be supposed to have the best title to being considered as the present unit in the coins, it would remain to determine what kind of dollar ought to be understood; or, in other words, what precise quantity of fine silver.

The old piastre of Spain, which appears to have regulated our foreign exchanges, weighed 17 dwt. 12 grains, and contained 386 grains and 15 mites of fine silver. But this piece has been long since out of circulation. The dollars now in common currency are of recent date, and much inferior to that both in weight and fineness. The average weight of them, upon different trials in large masses, has been found to be 17 dwt. 8 grains. Their fineness is less precisely

ascertained; the results of various assays, made by different persons, under the direction of the late superintendant of the finances, and of the Secretary, being as various as the assays themselves. The difference between their extremes is not less than 24 grains in a dollar of the same weight and age; which is too much for any probable differences in the pieces. It is rather to be presumed, that a degree of inaccuracy has been occasioned by the want of proper apparatus, and, in general, of practice. The experiment which appears to have the best pretensions to exactness, would make the new dollar to contain 370 grains and 933 thousandth parts of a grain of pure silver.

According to an authority, on which the Secretary places reliance, the standard of Spain for its silver coin, in the year 1761, was 261 parts fine, and 27 parts alloy; at which proportion, a dollar of 17 dwt. 8 grains, would consist of 377 grains of fine silver, and 39 grains of alloy. But there is no question that this standard has been since altered considerably for the worse: to what precise point, is not as well ascertained as could be wished; but from a computation of the value of dollars in the markets both of Amsterdam and London, (a criterion which cannot materially mislead,) the new dollar appears to contain about 368 grains of fine silver, and that which immediately preceded it, about 374 grains.

In this state of things, there is some difficulty in defining the dollar, which is to be understood as constituting the present money unit; on the supposition of its being most applicable to that species of coin. The old Seville piece of 386 grains and 15 mites fine, comports best with the computations of foreign exchanges, and with the more ancient con-

tracts, respecting landed property; but for the greater number of contracts still in operation concerning that kind of property, and all those of a merely personal nature, now in force, must be referred to a dollar of a different kind. The actual dollar at the time of contracting is the only one which can be supposed to have been intended; and it has been seen, that as long ago as the year 1761, there had been a material degradation of the standard. And even in regard to the more ancient contracts, no person has ever had any idea of a scruple about receiving the dollar of the day, as a full equivalent for the nominal sum, which the dollar originally imported.

A recurrence, therefore, to the ancient dollar would be, in the greatest number of cases, an innovation *in fact*, and in all, an innovation in respect to opinion. The actual dollar, in common circulation, has evidently a much better claim to be regarded as the actual money unit.

The mean intrinsic value of the different kinds of known dollars, has been intimated as affording the proper criterion. But when it is recollected, that the more ancient and more valuable ones are not now to be met with at all in circulation; and that the mass of those generally current, is composed of the newest and most inferior kinds; it will be perceived, that even an equation of that nature would be a considerable innovation upon the real present state of things; which it will certainly be prudent to approach, as far as may be consistent with the permanent order designed to be introduced.

An additional reason for considering the prevailing dollar as the standard of the present money unit, rather than the ancient one, is, that it will not only be conformable to the true existing proportion between

the two metals in this country, but will be more conformable to that which obtains in the commercial world generally.

The difference established by custom in the United States between coined gold and coined silver, has been stated, upon another occasion, to be nearly as 1 to 15.6. This, if truly the case, would imply that gold was extremely over-valued in the United States; for the highest *actual proportion* in any part of Europe, very little, if at all, exceeds 1 to 15; and the average proportion throughout Europe is probably not more than about 1 to 14.8. But that statement has proceeded upon the idea of the ancient dollar. One penny-weight of gold of 22 carrats fine, at 6s. 8d. and the old Seville piece of 386 grains and 15 mites of pure silver, at 7s. 6d. furnish the exact ratio of 1 to 15.6262. But this does not coincide with the real difference between the metals, in our market, or, which is with us the same thing, in our currency. To determine this, the quantity of fine silver in the general mass of the dollars now in circulation, must afford the rule. Taking the rate of the late dollar of 374 grains, the proportion would be as 1 to 15.11. Taking the rate of the newest dollar, the proportion would then be as 1 to 14.87. The mean of the two would give the proportion of 1 to 15 very nearly; less than the legal proportion in the coins of Great-Britain, which is as 1 to 15.2; but somewhat more than the actual or market proportion, which is not quite 1 to 15.

The preceding view of the subject does not indeed afford a precise or certain definition of the present unit in the coins, but it furnishes data, which will serve as guides in the progress of the investigation. It ascertains, at least, that the sum in the mo-

ney of account of each state, corresponding with the nominal value of the dollar in such state, corresponds also with 24 grains and six-eighths of a grain of fine gold, and with something between 368 and 374 grains of fine silver.

The next inquiry towards a right determination of what ought to be the future money unit of the United States, turns upon these questions—Whether it ought to be peculiarly attached to either of the metals, in preference to the other, or not; and if to either, to which of them?

The suggestions and proceedings hitherto have had for their object the annexing of it emphatically to the silver dollar. A resolution of Congress of the 6th of July, 1785, declares that the money unit of the United States shall be a dollar; and another resolution of the 8th of August, 1786, fixes that dollar at 375 grains and 64 hundredths of a grain of fine silver. The same resolution, however, determines, that there shall also be two gold coins, one of 246 grains and 268 parts of a grain of pure gold, equal to ten dollars; and the other of half that quantity of pure gold, equal to five dollars. And it is not explained, whether either of the two species of coins, of gold or silver, shall have any greater legality in payments, than the other. Yet it would seem, that a preference in this particular is necessary to execute the idea of attaching the unit exclusively to one kind. If each of them be as valid as the other, in payments to any amount, it is not obvious, in what effectual sense either of them can be deemed the money unit, rather than the other.

If the general declaration, that the dollar shall be the money unit of the United States, could be understood to give it a superior legality in payments; the

institution of coins of gold, and the declaration that each of them shall be *equal* to a certain number of dollars, would appear to destroy that inference: And the circumstance of making the dollar the unit in the money of account, seems to be rather matter of form than of substance.

Contrary to the ideas which have heretofore prevailed, in the suggestions concerning a coinage for the United States, though not without much hesitation, arising from a deference for those ideas, the Secretary is, upon the whole, strongly inclined to the opinion, that a preference ought to be given to neither of the metals for the money unit. Perhaps, if either were to be preferred, it ought to be gold rather than silver.

The reasons are these—

The inducement to such a preference is to render the unit as little variable as possible; because on this depends the steady value of all contracts, and, in a certain sense, of all other property. And it is truly observed, that if the unit belong indiscriminately to both the metals, it is subject to all the fluctuations that happen in the relative value which they bear to each other. But the same reason would lead to annexing it to that particular one which is itself the least liable to variation; if there be, in this respect, any discernible difference between the two.

Gold may, perhaps, in certain senses, be said to have greater stability than silver: As being of superior value, less liberties have been taken with it in the regulations of different countries. Its standard has remained more uniform, and it has in other respects undergone fewer changes: as being not so much an article of merchandize, owing to the use made of silver in the trade with the East-Indies and

China, it is less liable to be influenced by circumstances of commercial demand. And if reasoning by analogy, it could be affirmed, that there is a physical probability of greater proportional increase in the quantity of silver than in that of gold, it would afford an additional reason for calculating on greater steadiness in the value of the latter.

As long as gold, either from its intrinsic superiority as a metal, from its greater rarity, or from the prejudices of mankind, retains so considerable a pre-eminence in value over silver as it has hitherto had, a natural consequence of this seems to be, that its condition will be more stationary. The revolutions, therefore, which may take place in the comparative value of gold and silver, will be changes in the state of the latter, rather than in that of the former.

If there should be an appearance of too much abstraction in any of these ideas, it may be remarked, that the first and most simple impressions do not naturally incline to giving a preference to the inferior or least valuable of the two metals.

It is sometimes observed, that silver ought to be encouraged rather than gold, as being more conducive to the extension of bank circulation, from the greater difficulty and inconvenience which its greater bulk, compared with its value, occasions in the transportation of it. But bank circulation is desirable rather as an *auxiliary to*, than as a *substitute for*, that of the precious metals; and ought to be left to its natural course. Artificial expedients to extend it, by opposing obstacles to the other, are at least not recommended by any very obvious advantages. And in general, it is the safest rule, to regulate every particular institution or object, according to the principles which, in relation to itself, appear the most

sound. In addition to this, it may be observed, that the inconvenience of transporting either of the metals, is sufficiently great to induce a preference of bank paper, whenever it can be made to answer the purpose equally well.

But, upon the whole, it seems to be most adviseable, as has been observed, not to attach the unit exclusively to either of the metals; because this cannot be done effectually, without destroying the office and character of one of them as money, and reducing it to the situation of a mere merchandize; which, accordingly, at different times has been proposed from different and very respectable quarters; but which would probably be a greater evil than occasional variations in the unit, from the fluctuations in the relative value of the metals; especially if care be taken to regulate the proportion between them, with an eye to their average commercial value.

To annul the use of either of the metals as money, is to abridge the quantity of circulating medium; and is liable to all the objections which arise from a comparison of the benefits of a full, with the evils of a scanty circulation.

It is not a satisfactory answer to say, that none but the favoured metal would, in this case, find its way into the country, as in that all balances must be paid. The practicability of this would in some measure depend on the abundance or scarcity of it in the country paying. Where there was but little, it either would not be procurable at all, or it would cost a premium to obtain it; which, in every case of a competition with others in a branch of trade, would constitute a deduction from the profits of the party receiving. Perhaps, too, the embarrassments which

such a circumstance might sometimes create in the pecuniary liquidation of balances, might lead to additional efforts to find a substitute in commodities, and might so far impede the introduction of the metals. Neither could the exclusion of either of them be deemed, in other respects, favourable to commerce. It is often in the course of trade as desirable to possess the kind of money, as the kind of commodities, best adapted to a foreign market.

It seems, however, most probable, that the chief, if not the sole effect of such a regulation, would be to diminish the utility of one of the metals. It could hardly prove an obstacle to the introduction of that which was excluded, in the natural course of trade; because it would always command a ready sale for the purpose of exportation to foreign markets. But such an effect, if the only one, is not to be regarded as a trivial inconvenience.

If, then, the unit ought not to be attached exclusively to either of the metals, the proportion which ought to subsist between them in the coins, becomes a preliminary inquiry, in order to its proper adjustment. This proportion appears to be, in several views, of no inconsiderable moment.

One consequence of overvaluing either metal, in respect to the other, is the banishment of that which is undervalued. If two countries are supposed, in one of which the proportion of gold to silver is as 1 to 16, in the other as 1 to 15, gold being worth more, silver less, in one than in the other; it is manifest, that in their reciprocal payments, each will select that species which it values least, to pay to the other where it is valued most. Besides this, the dealers in money will, from the same cause, often find a profitable traffic in an exchange of the metals between

the two countries. And hence, it would come to pass, if other things were equal, that the greatest part of the gold would be collected in one, and the greatest part of the silver in the other. The course of trade might in some degree counteract the tendency of the difference in the legal proportions by the market value; but this is so far and so often influenced by the legal rates, that it does not prevent their producing the effect which is inferred. Facts, too, verify the inference. In Spain and England, where gold is rated higher than in other parts of Europe, there is a scarcity of silver; while it is found to abound in France and Holland, where it is rated higher in proportion to gold, than in the neighbouring nations. And it is continually flowing from Europe to China and the East-Indies, owing to the comparative cheapness of it in the former, and dearness of it in the latter.

This consequence is deemed by some not very material; and there are even persons, who, from a fanciful predilection to gold, are willing to invite it, even by a higher price. But general utility will best be promoted by a due proportion of both metals. If gold be most convenient in large payments, silver is best adapted to the more minute and ordinary circulation.

But it is to be suspected, that there is another consequence more serious than the one which has been mentioned. This is the diminution of the total quantity of specie which a country would naturally possess.

It is evident, that as often as a country which over-rates either of the metals, receives a payment in that metal, it gets a less actual quantity than it ought

to do, or than it would do, if the rate were a just one.

It is also equally evident, that there will be a continual effort to make payment to it in that species to which it has annexed an exaggerated estimation, wherever it is current at a less proportional value. And it would seem to be a very natural effect of these two causes, not only that the mass of the precious metals in the country in question, would consist chiefly of that kind to which it had given an extraordinary *value*, but that it would be absolutely less, than if they had been duly proportioned to each other.

A conclusion of this sort, however, is to be drawn with great caution. In such matters, there are always some local, and many other particular circumstances, which qualify and vary the operation of general principles, even where they are just; and there are endless combinations very difficult to be analyzed, which often render principles, that have the most plausible pretensions, unsound and delusive.

There ought, for instance, according to those which have been stated, to have been formerly a greater quantity of gold in proportion to silver in the United States, than there has been; because the actual value of gold in this country, compared with silver, was perhaps higher than in any other. But our situation in regard to the West-India islands, into some of which there is a large influx of silver directly from the mines of South-America, occasions an extraordinary supply of that metal, and, consequently, a greater proportion of it in our circulation, than might have been expected from its relative value.

What influence the proportion under consideration may have upon the state of prices, and how far this may counteract its tendency to increase or lessen the quantity of the metals, are points not easy to be developed: and yet they are very necessary to an accurate judgment of the true operation of the thing.

But however impossible it may be to pronounce with certainty, that the possession of a less quantity of specie is a consequence of overvaluing either of the metals, there is enough of probability in the considerations which seem to indicate it, to form an argument of weight against such over-valuation.

A third ill consequence resulting from it is, a greater and more frequent disturbance of the state of the money unit, by a greater and more frequent diversity between the legal and market proportions of the metals. This has not hitherto been experienced in the United States, but it has been experienced elsewhere: and from its not having been felt by us hitherto, it does not follow that this will not be the case hereafter, when our commerce shall have attained a maturity, which will place it under the influence of more fixed principles.

In establishing a proportion between the metals, there seems to be an option of one of two things—

To approach, as nearly as it can be ascertained, the mean or average proportion, in what may be called the commercial world; or,

To retain that which now exists in the United States. As far as these happen to coincide, they will render the course to be pursued more plain and more certain.

To ascertain the first with precision, would require better materials than are possessed, or than could be obtained, without an inconvenient delay.

Sir Isaac Newton, in a representation to the treasury of Great-Britain, in the year 1717, after stating the particular proportions in the different countries of Europe, concludes thus: "By the course of trade and exchange between nation and nation in all Europe, fine gold is to fine silver as 14¼ or 15 to 1."

But however accurate and decisive this authority may be deemed, in relation to the period to which it applies, it cannot be taken, at the distance of more than seventy years, as a rule for determining the existing proportion. Alterations have been since made in the regulations of their coins by several nations; which, as well as the course of trade, have an influence upon the market values. Nevertheless, there is reason to believe, that the state of the matter, as represented by Sir Isaac Newton, is not very remote from its actual state.

In Holland, the greatest *money* market of Europe, gold was to silver, in December, 1789, as 1 to 14.88; and in that of London, it has been for some time past but little different, approaching perhaps something nearer 1 to 15.

It has been seen, that the existing proportion between the two metals in this country, is about as 1 to 15.

It is fortunate, in this respect, that the innovations of the Spanish mint have imperceptibly introduced a proportion so analogous as this is, to that which prevails among the principal commercial nations; as it greatly facilitates a proper regulation of the matter.

This proportion of 1 to 15 is recommended by the particular situation of our trade, as being very nearly that which obtains in the market of Great-Britain, to which nation our specie is principally exported.

A lower rate for either of the metals in our market than in hers, might not only afford a motive the more, in certain cases, to remit in specie, rather than in commodities; but it might, in some others, cause us to pay a greater quantity of it for a given sum, than we should otherwise do. If the effect should rather be to occasion a premium to be given for the metal which was under-rated, this would obviate those disadvantages; but it would involve another, a customary difference between the market and legal proportions, which would amount to a species of disorder in the national coinage.

Looking forward to the payments of interest hereafter to be made to Holland, the same proportion does not appear ineligible. The present legal proportion in the coins of Holland, is stated at one to fourteen and nine-tenths. That of the market, varies somewhat at different times, but seldom very widely from this point.

There can hardly be a better rule, in any country, for the legal, than the market proportion; if this can be supposed to have been produced by the free and steady course of commercial principles. The presumption, in such case, is, that each metal finds its true level, according to its intrinsic utility in the general system of money operations.

But it must be admitted, that this argument in favour of continuing the existing proportion, is not applicable to the state of the coins with us. There have been too many artificial and heterogeneous ingredients; too much want of order, in the pecuniary transactions of this country, to authorize the attributing the effects which have appeared to the regular operations of commerce. A proof of this is to be drawn from the alterations which have happened in

the proportion between the metals merely by the successive degradations of the dollar, in consequence of the mutability of a foreign mint. The value of gold to silver appears to have declined wholly from this cause, from fifteen and six-tenths, to about fifteen to one. Yet as this last proportion, however produced, coincides so nearly with what may be deemed the commercial average, it may be supposed to furnish as good a rule as can be pursued.

The only question seems to be, whether the value of gold ought not to be a little lowered, to bring it to a more exact level with the two markets which have been mentioned. But as the ratio of 1 to 15 is so nearly conformable to the state of those markets, and best agrees with that of our own, it will probably be found the most eligible. If the market of Spain continues to give a higher value to gold, (as it has done in time past,) than that which is recommended, there may be some advantage in a middle station.

A further preliminary to the adjustment of the future money unit, is, to determine what shall be the proportion and composition of alloy in each species of the coins.

The first, by the resolution of the 8th of August, 1786, before referred to, is regulated at one twelfth; or, in other words, at 1 part alloy to 11 parts fine, whether gold or silver; which appears to be a convenient rule, unless there should be some collateral consideration which may dictate a departure from it. Its correspondency, in regard to both metals, is a recommendation of it; because a difference could answer no purpose of pecuniary or commercial utility, and uniformity is favourable to order.

This ratio, as it regards gold, coincides with the proportion, real or professed, in the coins of Portu-

gal, England, France, and Spain. In those of the two former, it is real; in those of the two latter, there is a deduction for what is called *remedy of weight and alloy*, which is in the nature of an allowance to the master of the mint for errors and imperfections in the process; rendering the coin either lighter or baser than it ought to be. The same thing is known in the theory of the English mint, where one-sixth of a carat is allowed. But the difference seems to be, that *there*, it is merely an occasional indemnity within a certain limit, for real and unavoidable errors and imperfections; whereas in the practice of the mints of France and Spain, it appears to amount to a stated and regular deviation from the nominal standard. Accordingly, the real standards of France and Spain are something worse than 22 carats, or 11 parts in 12 fine.

The principal gold coins in Germany, Holland, Sweden, Denmark, Poland, and Italy, are finer than those of England and Portugal in different degrees, from 1 carat and a quarter, to 1 carat and seven-eighths, which last is within one-eighth of a carat of pure gold.

There are similar diversities in the standards of the silver coins of the different countries of Europe. That of Great-Britain is 222 parts fine to 18 alloy:—those of the other European nations vary from that of Great-Britain, as widely as from about 17 of the same parts better, to 75 worse.

The principal reasons assigned for the use of alloy, are the saving of expense in the refining of the metals, (which in their natural state are usually mixed with a portion of the coarser kinds,) and the rendering of them harder, as a security against too great waste by friction or wearing. The first reason drawn

from the original composition of the metals, is strengthened at present by the practice of alloying their coins, which has obtained among so many nations. The reality of the effect to which the last reason is applicable, has been denied, and experience has been appealed to, as proving that the more alloyed coins wear faster than the purer. The true state of this matter may be worthy of future investigation, though first appearances are in favour of alloy. In the mean time, the saving of trouble and expense, are sufficient inducements to following those examples which suppose its expediency. And the same considerations lead to taking as our models those nations with whom we have most intercourse, and whose coins are most prevalent in our circulation. These are Spain, Portugal, England, and France. The relation which the proposed proportion bears to their gold coins, has been explained. In respect to their silver coins, it will not be very remote from the mean of their several standards.

The component ingredients of the alloy in each metal, will also require to be regulated. In silver, copper is the only kind in use, and it is doubtless the only proper one. In gold, there is a mixture of silver and copper; in the English coins, consisting of equal parts, in the coins of some other countries, varying from one-third to two-thirds silver.

The reason of this union of silver with copper is this,—The silver counteracts the tendency of the copper to injure the colour or beauty of the coin, by giving it too much redness, or rather a coppery hue, which a small quantity will produce; and the copper prevents the too great whiteness, which silver alone would confer. It is apprehended, that there are considerations which may render it prudent to

establish by law, that the proportion of silver to copper in the gold coins of the United States, shall not be more than one half, nor less than one-third; vesting a discretion in some proper place, to regulate the matter within those limits, as experience in the execution may recommend.

A third point remains to be discussed, as a prerequisite to the determination of the money unit, which is, whether the expense of coining shall be defrayed by the public, or out of the material itself; or, as it is sometimes stated, whether coinage shall be free, or shall be subject to a duty or imposition? This forms, perhaps, one of the nicest questions in the doctrine of money.

The practice of different nations is dissimilar in this particular. In England, coinage is said to be entirely free; the mint price of the metals in bullion, being the same with the value of them in coin. In France, there is a duty which has been, if it is not now, eight per cent. In Holland, there is a difference between the mint-price, and the value in the coins, which has been computed at .96, or something less than one per cent. upon gold, at 1.48, or something less than one and an half per cent. upon silver. The resolution of the 8th of August, 1786, proceeds upon the idea of a deduction of half per cent. from gold, and of two per cent. from silver, as an indemnification for the expense of coining. This is inferred from a report of the late board of treasury, upon which that resolution appears to have been founded.

Upon the supposition that the expense of coinage ought to be defrayed out of the metals, there are two ways in which it may be effected; one by a reduction of the quantity of fine gold and silver in the

coins; the other by establishing a difference between the value of those metals in the coins, and the mint-price of them in bullion.

The first method appears to the Secretary inadmissible. He is unable to distinguish an operation of this sort, from that of raising the denomination of the coin; a measure which has been disapproved by the wisest men of the nations in which it has been practised, and condemned by the rest of the world. To declare, that a less weight of gold or silver shall pass for the same sum, which before represented a greater weight, or to ordain that the same weight shall pass for a greater sum, are things substantially of one nature. The consequence of either of them, if the change can be realized, is to degrade the money unit; obliging creditors to receive less than their just dues, and depreciating property of every kind. For it is manifest, that every thing would in this case be represented by a less quantity of gold and silver than before.

It is sometimes observed on this head, that though any article of property might in fact be represented by a less actual quantity of pure metal, it would, nevertheless, be represented by something of the same intrinsic value. Every fabric, it is remarked, is worth, intrinsically, the price of the raw material and the expense of fabrication: a truth not less applicable to a piece of coin, than to a yard of cloth.

This position, well founded in itself, is here misapplied. It supposes, that the coins now in circulation, are to be considered as bullion; or, in other words, as a raw material. But the fact is, that the adoption of them as money, has caused them to become the fabric.—It has invested them with the character and office of coins, and has given them a

sanction and efficacy equivalent to that of the stamp of the sovereign. The prices of all our commodities, at home and abroad, and of all foreign commodities in our markets, have found their level, in conformity to this principle. The foreign coins may be *divested* of the privilege they have hitherto been permitted to enjoy, and may of course be *left* to find their value in the market as a raw material. But the quantity of gold and silver in the national coins, corresponding with a given sum, cannot be made less than heretofore, without disturbing the balance of intrinsic value, and making every acre of land, as well as every bushel of wheat, of less actual worth than in time past. If the United States were isolated and cut off from all intercourse with the rest of mankind, this reasoning would not be equally conclusive. But it appears decisive, when considered with a view to the relations which commerce has created between us and other countries.

It is however not improbable, that the effect meditated would be defeated, by a rise of prices proportioned to the diminution of the intrinsic value of the coins. This might be looked for in every enlightened commercial country; but perhaps in none with greater certainty than in this; because, in none are men less liable to be the dupes of sounds—in none has authority so little resource for substituting names for things.

A general revolution in prices, though only nominally, and in appearance, could not fail to distract the ideas of the community, and would be apt to breed discontents, as well among all those who live on the income of their money, as among the poorer classes of the people, to whom the necessaries of life would seem to have become dearer. In the confu-

sion of such a state of things, ideas of value would not improbably adhere to the old coins; which, from that circumstance, instead of feeling the effect of the loss of their privilege as money, would perhaps bear a price in the market relatively to the new ones, in exact proportion to weight. The frequency of the demand for the metals to pay foreign balances would contribute to this effect.

Among the evils, attendant on such an operation, are these—Creditors both of the public and of individuals would lose a part of their property—public and private credit would receive a wound—the effective revenues of the government would be diminished. There is scarcely any point, in the economy of national affairs, of greater moment than the uniform preservation of the intrinsic value of the money unit. On this the security and steady value of property essentially depend.

The second method, therefore, of defraying the expense of the coinage out of the metals, is greatly to be preferred to the other. This is to let the same sum of money continue to represent in the new coins exactly the same quantity of gold and silver, as it does in those now current—to allow at the mint such a price only for those metals, as will admit of profit just sufficient to satisfy the expense of coinage—to abolish the legal currency of the foreign coins, both in public and private payments—and of course to leave the superior utility of the national coins, for domestic purposes, to operate the difference of market value, which is necessary to induce the bringing of bullion to the mint. In this case, all property and labour will still be represented by the same quantity of gold and silver as formerly; and the only change which will be wrought, will consist in annexing the

office of money exclusively to the national coins; consequently, withdrawing it from those of foreign countries, and suffering them to become, as they ought to be, mere articles of merchandize.

The arguments in favour of a regulation of this kind are—First, That the want of it is a cause of extra expense: there being then no motive of individual interest to distinguish between the national coins and bullion, they are, it is alleged, indiscriminately melted down for domestic manufactures, and exported for the purposes of foreign trade; and it is added, that when the coins become light by wearing, the same quantity of fine gold or silver bears a higher price in bullion than in the coins; in which state of things, the melting down of the coins to be sold as bullion is attended with profit; and from both causes the expense of the mint, or in other words, the expense of maintaining the specie capital of the nation, is materially augmented.

Secondly—That the existence of such a regulation promotes a favourable course of exchange, and benefits trade, not only by that circumstance, but by obliging foreigners, in certain cases, to pay dearer for domestic commodities, and to sell their own cheaper.

As far as relates to the tendency of a free coinage to produce an increase of expense, in the different ways that have been stated, the argument must be allowed to have foundation, both in reason and in experience. It describes what has been exemplified in Great-Britain.

The effect of giving an artificial value to bullion, is not at first sight obvious; but it actually happened at the period immediately preceding the late reformation in the gold coin of the country just named.

A pound troy in gold bullion of standard fineness, was then from 19s. 6d. to 25s. sterling dearer than an equal weight of guineas, as delivered at the mint. The phenomenon is thus accounted for—The old guineas were more than two per cent. lighter than their *standard weight*. This *weight*, therefore, in bullion, was truly worth two per cent. more, than those guineas. It consequently had, in respect to them, a correspondent rise in the market.

And as guineas were then current by *tale*, the new ones, as they issued from the mint, were confounded in circulation with the old ones; and by the association were depreciated below the intrinsic value in comparison with bullion. It became, of course, a profitable traffic to sell bullion for coin, to select the light pieces and re-issue them in currency, and to melt down the heavy ones and sell them again as bullion. This practice, besides other inconveniences, cost the government large sums in the renewal of the coins.

But the remainder of the argument stands upon ground far more questionable. It depends upon very numerous and very complex combinations; in which there is infinite latitude for fallacy and error.

The most plausible part of it is that which relates to the course of exchange. Experience, in France, has shown, that the market price of bullion has been influenced by the mint difference between that and coin; sometimes to the full extent of the difference; and it would seem to be a clear inference, that whenever that difference materially exceeded the charges of remitting bullion from the country where it existed to another, in which coinage was free, exchange would be in favour of the former.

If, for instance, the balance of trade between

France and England were at any time equal, their merchants would naturally have reciprocal payments to make to an equal amount; which as usual would be liquidated by means of bills of exchange. If, in this situation, the difference between coin and bullion should be in the market, as at the mint of France, eight per cent.; if, also, the charges of transporting money from France to England should not be above two per cent.; and if exchange should be at par, it is evident, that a profit of six per cent. might be made, by sending bullion from France to England, and drawing bills for the amount. One hundred louis d'ors in coin would purchase the weight of 108 in bullion; one hundred of which remitted to England would suffice to pay a debt of an equal amount: and two being paid for the charges of insurance and transportation, there would remain six for the benefit of the person who should manage the negociation. But as so large a profit could not fail to produce competition, the bills in consequence of this would decrease in price, till the profit was reduced to the *minimum* of an adequate recompense for the trouble and risk. And as the amount of 100 louis d'ors in England, might be afforded for 96 in France, with a profit of more than one and an half per cent. bills upon England might fall in France to 4 per cent. below par; one per cent. being a sufficient profit to the exchanger or broker, for the management of the business.

But it is *admitted*, that this advantage is lost when the balance of trade is against the nation which imposes the duty in question; because, by increasing the demand for bullion, it brings this to a par with the coins: and it is to be *suspected*, that where commercial principles have their free scope, and are well

understood, the market difference between the metals in coin and bullion, will seldom approximate to that of the mint, if the latter be considerable. It must be not a little difficult to keep the money of the world, which can be employed to an equal purpose in the commerce of the world, in a state of degradation in comparison with the money of a particular country.

This alone would seem sufficient to prevent it: whenever the price of coin to bullion in the market materially exceeded the par of the metals, it would become an object to send the bullion abroad; if not to pay a foreign balance, to be invested in some other way in foreign countries, where it bore a superior value: an operation, by which immense fortunes might be amassed, if it were not that the exportation of the bullion would of itself restore the intrinsic par. But as it would naturally have this effect, the advantage supposed, would contain in itself the principle of its own destruction. As long, however, as the exportation of bullion could be made with profit, which is as long as exchange could remain below par, there would be a drain of the gold and silver of the country.

If any thing can maintain, for a length of time, a material difference between the value of the metals in coin and in bullion, it must be a constant and considerable balance of trade in favour of the country in which it is maintained. In one situated like the United States, it would, in all probability, be a hopeless attempt. The frequent demand for gold and silver to pay balances to foreigners, would tend powerfully to preserve the equilibrium of intrinsic value.

The prospect is, that it would occasion foreign coins to circulate by common consent, nearly at par with the national.

To say, that as far as the effect of lowering exchange is produced, though it be only occasional and momentary, there is a benefit the more thrown into the scale of public prosperity, is not satisfactory. It has been seen, that it may be productive of one evil, the investment of a part of the national capital in foreign countries; which can hardly be beneficial, but in a situation like that of the United Netherlands, where an immense capital, and a decrease of internal demand, render it necessary to find employment for money in the wants of other nations; and, perhaps, on a close examination, other evils may be descried.

One allied to that which has been mentioned, is this—Taking France, for the sake of more concise illustration, as the scene. Whenever it happens that French louis d'ors are sent abroad, from whatever cause, if there be a considerable difference between coin and bullion in the market of France, it will constitute an advantageous traffic to send back these louis d'ors, and bring away bullion in lieu of them; upon all of which exchanges, France must sustain an actual loss of a part of its gold and silver.

Again, such a difference between coin and bullion may tend to counteract a favourable balance of trade. Whenever a foreign merchant is the carrier of his own commodities to France for sale, he has a strong inducement to bring back specie instead of French commodities; because a return in the latter may afford no profit; may even be attended with loss: in the former, it will afford a certain profit. The same principle must be supposed to operate in the general course of remittances from France to other countries.

The principal question with a merchant naturally is, In what manner can I realize a given sum with most advantage, where I wish to place it? And, in cases in which other commodities are not likely to produce equal profit with bullion, it may be expected that this will be preferred; to which the greater certainty attending the operation, must be an additional incitement. There can hardly be imagined a circumstance less friendly to trade, than the existence of an extra inducement arising from the possibility of a profitable speculation upon the articles themselves, to export from a country its gold and silver, rather than the products of its land and labour.

The other advantages supposed, of obliging foreigners to pay dearer for domestic commodities, and to sell their own cheaper, are applied to a situation which includes a favourable balance of trade. It is understood in this sense—The prices of domestic commodities, (such at least as are peculiar to the country,) remain attached to the denominations of the coins. When a favourable balance of trade realizes in the market the mint difference between coin and bullion; foreigners, who must pay in the latter, are obliged to give more of it for such commodities, than they otherwise would do. Again, the bullion which is now obtained at a cheaper rate in the home market, will procure the same quantity of goods in the foreign market as before; which is said to render foreign commodities cheaper. In this reasoning, much fallacy is to be suspected. If it be true, that foreigners pay more for domestic commodities, it must be equally true, that they get more for their own, when they bring them themselves to market. If peculiar, or other domestic commodities, adhere to the denominations of the coins, no reason occurs

why foreign commodities of a like character should not do the same thing. And in this case, the foreigner, though he receive only the same value in coin for his merchandize as formerly, can convert it into a greater quantity of bullion. Whence the nation is liable to lose more of its gold and silver, than if their intrinsic value, in relation to the coins, were preserved. And whether the gain or the loss will on the whole preponderate, would appear to depend on the comparative proportion of active commerce of the one country with the other.

It is evident, also, that the nation must pay as much gold and silver as before, for the commodities which it procures *abroad;* and whether it obtains this gold and silver cheaper, or not, turns upon the solution of the question just intimated, respecting the relative proportion of active commerce between the two countries.

Besides these considerations, it is admitted in the reasoning, that the advantages supposed, which depend on a favourable balance of trade, have a tendency to affect that balance disadvantageously. Foreigners, it is allowed, will, in this case, seek some other vent for their commodities, and some other market where they can supply their wants at an easier rate. A tendency of this kind, if real, would be a sufficient objection to the regulation. Nothing which contributes to change a beneficial current of trade, can well compensate, by particular advantages, for so injurious an effect. It is far more easy to transfer trade from a less to a more favourable channel, than when once transferred, to bring it back to its old one. Every source of artificial interruption to an advantageous current is, therefore, cautiously to be avoided.

It merits attention, that the able minister, who lately and so long presided over the finances of France, does not attribute to the duty of coinage, in that country, any particular advantages, in relation to exchange and trade. Though he rather appears an advocate for it, it is on the sole ground of the revenue it affords, which he represents as in the nature of a very moderate duty on the general mass of exportation.

And it is not improbable, that to the singular felicity of situation of that kingdom, is to be attributed its not having been sensible of the evils which seem incident to the regulation. There is, perhaps, no part of Europe, which has so little need of other countries, as France. Comprehending a variety of soils and climates, an immense population, its agriculture in a state of mature improvement, it possesses within its own bosom, most, if not all, the productions of the earth, which any of its most favoured neighbours can boast. The variety, abundance, and excellence of its wines, constitute a peculiar advantage in its favour. Arts and manufactures are there also in a very advanced state—some of them of considerable importance, in higher perfection than elsewhere. Its contiguity to Spain; the intimate nature of its connexion with that country; a country with few fabrics of its own, consequently numerous wants, and the principal receptacle of the treasures of the new world. These circumstances concur, in securing to France so uniform, and so considerable a balance of trade, as in a great measure to counteract the natural tendency of any errors, which may exist in the system of her mint; and to render inferences from the operation of that system there, in reference to this country, more liable to mislead, than to instruct.

Nor ought it to pass unnoticed, that with all these advantages, the government of France has found it necessary, on some occasions, to employ very violent methods to compel the bringing of bullion to the mint; a circumstance which affords a strong presumption of the inexpediency of the regulation, and of the impracticability of executing it in the United States.

This point has been the longer dwelt upon, not only because there is a diversity of opinion among speculative men concerning it, and a diversity in the practice of the most considerable commercial nations; but because the acts of our own government, under the confederation, have not only admitted the expediency of defraying the expense of coinage out of the metals themselves; but upon this idea have both made a deduction from the weight of the coins, and established a difference between their regulated value and the mint price of bullion, greater than would result from that deduction. This double operation in favour of a principle so questionable in itself, has made a more particular investigation of it a duty.

The intention, however, of the preceding remarks, is rather to show, that the expectation of commercial advantages ought not to decide in favour of a duty of coinage, and that if it should be adopted, it ought not to be in the form of a deduction from the intrinsic value of the coins—than absolutely to exclude the idea of any difference, whatever, between the value of the metals in coin and in bullion. It is not clearly discerned, that a small difference between the mint price of bullion, and the regulated value of the coins, would be pernicious, or that it might not even be adviseable, in the first instance, by

way of experiment, merely as a preventive to the melting down and exportation of the coins. This will now be somewhat more particularly considered.

The arguments for a coinage entirely free, are, that it preserves the intrinsic value of the metals; that it makes the expense of fabrication a general, instead of a partial, tax; and that it tends to promote the abundance of gold and silver, which it is alleged will flow to that place, where they find the best price; and from that place, where they are in any degree undervalued.

The first consideration has not much weight, as an objection to a plan, which, without diminishing the quantity of metals, in the coins, merely allows a less price for them in bullion at the national factory or mint. No rule of intrinsic value is violated, by considering the raw material as worth less than the fabric, in proportion to the expense of fabrication. And by divesting foreign coins of the privilege of circulating as money, they become the raw material.

The second consideration has perhaps greater weight. But it may not amount to an objection, if it be the best method of preventing disorders in the coins, which it is, in a particular manner, the interest of those on whom the tax would fall, to prevent. The practice of taking gold by weight, which has of late years obtained in Great-Britain, has been found, in some degree, a remedy; but this is inconvenient, and may on that account fall into disuse. Another circumstance has had a remedial operation: this is, the delays of the mint. It appears to be the practice there, not to make payment for the bullion which is brought to be exchanged for coin, till it either has in fact, or is pretended to have undergone, the process of recoining.

The necessity of fulfilling prior engagements, is a cause or pretext for postponing the delivery of the coin in lieu of the bullion. And this delay creates a difference in the market price of the two things. Accordingly, for some years past, an ounce of standard gold, which is worth in coin, *l.* 3 17 $10\frac{1}{2}$ sterling, has been in the market of London, in bullion, only *l.* 3 17 6, which is within a small fraction of one half per cent. less. Whether this be management in the mint to accommodate the bank in the purchase of bullion, or to effect indirectly something equivalent to a formal difference of price; or whether it be the natural course of the business, is open to conjecture.

It, at the same time, indicates, that if the mint were to make prompt payment, at about half per cent. less than it does at present, the state of bullion, in respect to coin, would be precisely the same as it now is. And it would be then certain, that the government would save expense in the coinage of gold; since it is not probable, that the time actually lost in the course of the year in converting bullion into coin, can be an equivalent to half per cent. on the advance; and there will generally be at the command of the treasury, a considerable sum of money, waiting for some periodical disbursement, which, without hazard, might be applied to that advance.

In what sense a free coinage can be said to promote the abundance of gold and silver, may be inferred from the instances, which have been given of the tendency of a contrary system to promote their exportation. It is, however, not probable, that a very small difference of value between coin and bullion can have any effect, which ought to enter into calculation. There can be no inducement of positive pro-

fit, to export the bullion, as long as the difference of price is exceeded by the expense of transportation. And the prospect of smaller loss upon the metals, than upon commodities, when the difference is very minute, will be frequently over-balanced by the possibility of doing better with the latter, from a rise of markets. It is at any rate certain, that it can be of no consequence, in this view, whether the superiority of coin to bullion in the market, be produced, as in England, by the delay of the mint, or by a formal discrimination in the regulated values.

Under an impression that a *small* difference between the value of the coin, and the mint price of bullion, is the least exceptionable expedient for restraining the melting down, or exportation of the former, and not perceiving, that if it be a very moderate one, it can be hurtful in other respects—the Secretary is inclined to an experiment of one half per cent. on each of the metals. The fact, which has been mentioned, with regard to the price of gold bullion in the English market, seems to demonstrate that such a difference may safely be made. In this case there must be immediate payment for the gold and silver offered to the mint. How far one half per cent. will go towards defraying the expense of the coinage, cannot be determined beforehand with accuracy. It is presumed, that on an economical plan, it will suffice in relation to gold. But it is not expected, that the same rate on silver, will be sufficient to defray the expense attending that metal. Some additional provision may therefore be found necessary, if this limit be adopted.

It does not seem to be adviseable, to make any greater difference in regard to silver than to gold: because it is desirable, that the proportion between the two

metals, in the market, should correspond with that in the coins; which would not be the case, if the mint price of one was comparatively lower than that of the other; and because also silver, being proposed to be rated in respect to gold, somewhat below its general commercial value, if there should be a disparity, to its disadvantage, in the mint prices of the two metals, it would obstruct too much the bringing of it to be coined, and would add an inducement to export it. Nor does it appear to the Secretary safe, to make a greater difference, between the value of coin and bullion than has been mentioned. It will be better to have to increase it hereafter, if this shall be found expedient, than to have to recede from too considerable a difference in consequence of evils which shall have been experienced.

It is sometimes mentioned as an expedient, which, consistently with a free coinage, may serve to prevent the evils desired to be avoided—to incorporate in the coins a greater proportion of alloy than is usual; regulating their value, nevertheless, according to the quantity of pure metal they contain. This, it is supposed, by adding to the difficulty of refining them, would cause bullion to be preferred, both for manufacture and exportation.

But strong objections lie against this scheme;—An augmentation of expense;—an actual depreciation of the coin;—a danger of still greater depreciation in the public opinion;—the facilitating of counterfeits: while it is questionable, whether it would have the effect expected from it.

The alloy being esteemed of no value, an increase of it is evidently an increase of expense. This, in relation to the gold coins particularly, is a matter of moment. It has been noted, that the alloy in them

consists partly of silver. If to avoid expense, the addition should be of copper only, this would spoil the appearance of the coin, and give it a base countenance. Its beauty would indeed be injured, though in a less degree, even if the usual proportions of silver and copper should be maintained in the increased quantity of alloy.

And however inconsiderable an additional expenditure of copper in the coinage of a year may be deemed, in a series of years it would become of consequence. In regulations which contemplate the lapse and operation of ages, a very small item of expense acquires importance.

The actual depreciation of the coin, by an increase of alloy, results from the very circumstance which is the motive to it—the greater difficulty of refining. In England, it is customary for those concerned in manufactures of gold, to make a deduction in the price, of four pence sterling per ounce, of fine gold, for every carat which the mass containing it is below the legal standard. Taking this as a rule, an inferiority of a single carat, or one twenty-fourth part, in the gold coins of the United States, compared with the English standard, would cause the *same quantity* of pure gold in them to be worth nearly four-tenths per cent. less than in the coins of Great-Britain. This circumstance would be likely, in process of time, to be felt in the market of the United States.

A still greater depreciation, in the public opinion, would be to be apprehended from the *apparent* debasement of the coin. The effects of imagination and prejudice cannot safely be disregarded, in any thing that relates to money.—If the beauty of the coin be impaired, it may be found difficult to satisfy

the generality of the community, that what appears worse is not really less valuable; and it is not altogether certain, that an impression of its being so, may not occasion an unnatural augmentation of prices.

Greater danger of imposition by counterfeits, is also to be apprehended from the injury which will be done to the appearance of the coin. It is a just observation, that "the perfection of the coins is a great safe-guard against counterfeits." And it is evident, that the colour, as well as the excellence of the workmanship, is an ingredient in that perfection. The intermixture of too much alloy, particularly of copper, in the gold coins at least, must materially lessen the facility of distinguishing by the eye, the purer from the baser kind; the genuine from the counterfeit.

The inefficacy of the arrangement to the purpose intended to be answered by it, is rendered probable by different considerations. If the standard of plate in the United States should be regulated according to that of the national coins, it is to be expected, that the goldsmith would prefer these to the foreign coins; because he would find them prepared to his hand, in the state which he desires; whereas he would have to *expend* an additional quantity of alloy to bring the foreign coins to that state. If the standard of plate, by law or usage, should be superior to that of the national coins, there would be a possibility of the foreign coins bearing a higher price in the market; and this would not only obstruct their being brought to the mint, but might occasion the exportation of the national coin in preference. It is not understood, that the practice of making an abatement of price for the inferiority of standard, is appli-

able to the English mint; and if it be not, this would also contribute to frustrating the expected effect from the increase of alloy. For, in this case, a given quantity of pure metal, in our standard, would be worth as much there as in bullion of the English, or any other standard.

Considering, therefore, the uncertainty of the success of the expedient, and the inconveniences which seem incident to it, it would appear preferable to submit to those of a free coinage. It is observable, that additional expense, which is one of the principal of these, is also applicable to the proposed remedy.

It is now proper to resume and finish the answer to the first question; in order to which the three succeeding ones have necessarily been anticipated. The conclusion to be drawn from the observations which have been made on the subject, is this—That the unit, in the coins of the United States, ought to correspond with 24 grains and three-fourths of a grain of pure gold, and with 371 grains and one-fourth of a grain of pure silver, each answering to a dollar in the money of account. The former is exactly agreeable to the present value of gold, and the latter is within a small fraction of the mean of the two last emissions of dollars; the only ones which are now found in common circulation, and of which the newest is in the greatest abundance. The alloy in each case to be one-twelfth of the total weight, which will make the unit 27 grains of standard gold, and 405 grains of standard silver.

Each of these, it has been remarked, will answer to a dollar in the money of account. It is conceived, that nothing better can be done, in relation to this, than to pursue the track marked out by the resolution

of the 8th of August, 1786. This has been approved abroad, as well as at home, and it is certain, that nothing can be more simple or convenient, than the decimal subdivisions. There is every reason to expect that the method will speedily grow into general use, when it shall be seconded by corresponding coins. On this plan, the unit in the money of account will continue to be, as established by that resolution, a dollar; and its multiples, dimes, cents, and milles; or tenths, hundredths, and thousandths.

With regard to the number of different pieces which shall compose the coins of the United States, two things are to be consulted—convenience of circulation, and cheapness of the coinage. The first ought not to be sacrificed to the last; but as far as they can be reconciled to each other, it is desirable to do it. Numerous and small, (if not too minute,) subdivisions assist circulation; but the multiplication of the smaller kinds increases expense; the same process being necessary to a small, as to a large piece.

As it is easy to add, it will be most adviseable to begin with a small number, till experience shall decide whether any other kinds are necessary. The following, it is conceived, will be sufficient in the commencement.

One gold piece, equal in weight and value to ten units, or dollars.

One gold piece, equal to a tenth part of the former, and which shall be a unit, or dollar.

One silver piece, which shall also be a unit, or dollar.

One silver piece, which shall be in weight and value a tenth part of the silver unit, or dollar.

One copper piece, which shall be of the value of a hundredth part of a dollar.

One other copper piece, which shall be half the value of the former.

It is not proposed that the lightest of the two gold coins should be numerous; as in large payments, the larger the pieces, the shorter the process of counting, the less the risk of mistake, and consequently the greater the safety and the convenience: and in small payments, it is not perceived, that any inconvenience can accrue from an entire dependence on the silver and copper coins. The chief inducement to the establishment of the small gold piece, is to have a sensible object in that metal, as well as in silver, to express the unit. Fifty thousand at a time in circulation, may suffice for this purpose.

The tenth part of a dollar is but a small piece, and with the aid of the copper coins, will probably suffice for all the more minute uses of circulation. It is less than the least of the silver coins now in general currency in England.

The largest copper piece will nearly answer to the half-penny sterling, and the smallest, of course, to the farthing. Pieces of very small value are a great accommodation, and the means of a beneficial economy to the poor; by enabling them to purchase in small portions, and at a more reasonable rate, the necessaries of which they stand in need. If there are only cents, the lowest price for any portion of a vendible commodity, however inconsiderable in quantity, will be a cent; if there are half-cents, it will be a half-cent; and, in a great number of cases, exactly the same things will be sold for a half-cent, which if there were none, would cost a cent. But a half-

cent is low enough for the *minimum* of price. Excessive minuteness would defeat its object. To enable the poorer classes to procure necessaries cheap, is to enable them, with more comfort to themselves, to labour for less; the advantages of which need no comment.

The denominations of the silver coins contained in the resolution of the 8th of August, 1786, are conceived to be significant and proper. The dollar is recommended by its correspondency with the present coin of that name, for which it is designed to be a substitute; which will facilitate its ready adoption as such in the minds of the citizens. The disme or tenth, the cent or hundreth, the mille or thousandth are proper, because they express the proportions which they are intended to designate. It is only to be regretted, that the meaning of these terms will not be familiar to those who are not acquainted with the language from which they are borrowed. It were to be wished, that the length, and, in some degree, the clumsiness of some of the corresponding terms in English, did not discourage from preferring them. It is useful to have names which signify the things to which they belong; and, in respect to objects of general use, in a manner intelligible to all. Perhaps it might be an improvement to let the dollar have the appellation either of dollar or unit, (which last will be the most significant,) and to substitute "tenth" for disme. In time, the unit may succeed to the dollar. The word cent being in use in various transactions and instruments, will, without much difficulty, be understood as the hundredth; and the half-cent, of course, as the two hundredth part.

The eagle is not a very expressive or apt appellation for the largest gold piece, but nothing better occurs. The smallest of the two gold coins may be called the dollar or unit, in common with the silver piece with which it coincides.

The volume or size of each piece is a matter of more consequence than its denomination. It is evident, that the more superficies or surface, the more the piece will be liable to be injured by friction; or, in other words, the faster it will wear. For this reason, it is desirable to render the thickness as great, in proportion to the breadth, as may consist with neatness and good appearance. Hence the form of the double guinea or double louis d'or is preferable to that of the half johannes, for the large gold piece. The small one cannot well be of any other size than the Portuguese piece of eight of the same metal.

As it is of consequence to fortify the idea of the identity of the dollar, it may be best to let the form and size of the new one, as far as the quantity of matter, (the alloy being less,) permits, agree with the form and size of the present. The diameter may be the same.

The tenths may be in a mean between the Spanish one-eighth and one-sixteenth of a dollar.

The copper coins may be formed merely with a view to good appearance, as any difference in the wearing that can result from difference of form, can be of little consequence in reference to that metal.

It is conceived, that the weight of the cent may be eleven penny-weight; which will about correspond with the value of the copper and the expense of coinage. This will be to conform to the rule of intrinsic value, as far as regard to the convenient size of the coins will permit; and the deduction of the

expense of coinage in this case will be the more proper, as the copper coins, which have been current hitherto, have passed till lately for much more than their intrinsic value. Taking the weight, as has been suggested, the size of the cent may be nearly that of the piece herewith transmitted, which weighs 10dwt. 11grs. 10m. Two thirds of the diameter of the cent, will suffice for the diameter of the half cent.

It may, perhaps, be thought expedient, according to general practice, to make the copper coinage an object of profit; but where this is done to any considerable extent, it is hardly possible to have effectual security against counterfeits. This consideration, concurring with the soundness of the principle of preserving the intrinsic value of the money of a country, seems to outweigh the consideration of profit.

The foregoing suggestions, respecting the sizes of the several coins, are made on the supposition, that the legislature may think fit to regulate this matter. Perhaps, however, it may be judged not unadviseable to leave it to executive discretion.

With regard to the proposed size of the cent, it is to be confessed, that it is rather greater than might be wished, if it could with propriety and safety be made less. And should the value of copper continue to decline as it has done for some time past, it is very questionable, whether it will long remain alone a fit metal for money. This has led to a consideration of the expediency of uniting a small proportion of silver with the copper, in order to be able to lessen the bulk of the inferior coins. For this there are precedents in several parts of Europe. In France, the composition which is called billion, has consisted

of one part silver and four parts copper; according to which proportion, a cent might contain seventeen grains; defraying out of the material the expense of coinage. The conveniency of size is a recommendation of such a species of coin; but the Secretary is deterred from proposing it by the apprehension of counterfeits. The effect of so small a quantity of silver, in comparatively so large a quantity of copper, could easily be imitated by a mixture of other metals of little value, and the temptation to doing it would not be inconsiderable.

The devices of the coins are far from being matters of indifference, as they may be made the vehicles of useful impressions. They ought, therefore, to be emblematical, but without losing sight of simplicity. The fewer sharp points and angles there are, the less will be the loss by wearing. The Secretary thinks it best, on this head, to confine himself to these concise and general remarks.

The last point to be discussed, respects the currency of foreign coins.

The abolition of this, in proper season, is a necessary part of the system contemplated for the national coinage. But this it will be expedient to defer till some considerable progress has been made in preparing substitutes for them. A gradation may therefore be found most convenient.

The foreign coins may be suffered to circulate precisely upon their present footing for one year after the mint shall have commenced its operations. The privilege may then be continued for another year to the gold coins of Portugal, England, and France, and to the silver coins of Spain. And these may still be permitted to be current for one year more, at the rates allowed to be given for them at the mint; af-

ter the expiration of which the circulation of all foreign coins to cease.

The monies which will be paid into the treasury during the first year being recoined before they are issued anew, will afford a partial substitute before any interruption is given to the pre-existing supplies of circulation. The revenues of the succeeding year, and the coins which will be brought to the mint, in consequence of the discontinuance of their currency, will materially extend the substitute in the course of that year, and its extension will be so far increased during the third year, by the facility of procuring the remaining species to be recoined, which will arise from the diminution of their current values, as probably to enable the dispensing wholly with the circulation of the foreign coins, after that period. The progress which the currency of bank bills will be likely to have made during the same time, will also afford a substitute of another kind.

This arrangement, besides avoiding a sudden stagnation of circulation, will cause a considerable proportion of whatever loss may be incident to the establishment, in the first instance, to fall, as it ought to do, upon the government, and will probably tend to distribute the remainder of it more equally among the community.

It may, nevertheless, be adviseable, in addition to the precautions here suggested, to repose a discretionary authority in the President of the United States, to continue the currency of the Spanish dollar at a value corresponding with the quantity of fine silver contained in it, beyond the period above mentioned for the cessation of the circulation of the foreign coins. It is possible that an exception in favour of this particular species of coin may be found

expedient: and it may tend to obviate inconveniences, if there be a power to make the exception in a capacity to be exerted when the period shall arrive. The Secretary for the department of State, in his report to the House of Representatives on the subject of establishing a uniformity in the weights, measures, and coins of the United States, has proposed that the weight of the dollar should correspond with the unit of weight. This was done on the supposition that it would require but a very small addition to the quantity of metal which the dollar, independently of the object he had in view, ought to contain; in which he was guided by the resolution of the 8th of August, 1786—fixing the dollar at 375 grains and 64 hundredths of a grain.

Taking this as the proper standard of the dollar, a small alteration, for the sake of incorporating so systematic an idea, would appear desirable. But if the principles which have been reasoned from in this report are just, the execution of that idea becomes more difficult. It would certainly not be adviseable to make, on that account, so considerable a change in the money unit, as would be produced by the addition of five grains of silver to the proper weight of the dollar, without a proportional augmentation of its relative value: and to make such an augmentation would be to abandon the advantage of preserving the identity of the dollar; or, to speak more accurately, of having the proposed one received and considered as a mere substitute for the present.

The end may, however, be obtained without either of those inconveniences, by increasing the proportion of alloy in the silver coins. But this would destroy the uniformity, in that respect, between the gold and silver coins. It remains, therefore, to elect

which of the two systematic ideas shall be pursued or relinquished. And it may be remarked, that it will be more easy to convert the present silver coins into the proposed ones, if these last have the same or nearly the same, proportion of alloy, than if they have less.

The organization of the mint yet remains to be considered.

This relates to the persons to be employed, and to the services which they are respectively to perform. It is conceived that there ought to be,

A Director of the Mint, to have the general superintendence of the business.

An Assay-Master or Assayer, to receive the metals brought to the mint, ascertain their fineness, and deliver them to be coined.

A Master Coiner, to conduct the making of the coins.

A Cashier, to receive and pay them out.

An Auditor, to keep and adjust the accounts of the mint.

Clerks, as many as the directors of the mint shall deem necessary, to assist the different officers.

Workmen, as many as may be found requisite.

A Porter.

In several of the European mints, there are various other officers, but the foregoing are those only, who appear to be indispensable. Persons in the capacity of clerks will suffice instead of the others, with the advantage of greater economy.

The number of workmen is left indefinite, because at certain times it is requisite to have more than at others. They will, however, never be numerous. The expense of the establishment, in an ordinary

year, will probably be from fifteen to twenty thousand dollars.

The remedy for errors in the weight and alloy of the coins must necessarily form a part in the system of a mint; and the manner of applying it will require to be regulated. The following account is given of the practice in England in this particular.

A certain number of pieces are taken promiscuously out of every fifteen pounds of gold coined at the mint, which are deposited for safe keeping in a strong box called the pix. This box, from time to time, is opened in the presence of the lord chancellor, the officers of the treasury, and others; and portions are selected from the pieces of each coinage, which are melted together, and the mass assayed by a jury of the company of goldsmiths. If the imperfection and deficiency, both in fineness and weight, fall short of a sixth of a carat or 40 grains of pure gold upon a pound of standard, the master of the mint is held excusable; because it is supposed that no workman can reasonably be answerable for greater exactness. The expediency of some similar regulation seems to be manifest.

All which is humbly submitted.

ALEXANDER HAMILTON,

Secretary of the Treasury.

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